CHAPTER 10

Building Strong Brands

Market leader Amul has rapidly expanded with revenues growing by almost 5 times during 2010 to 2020 driven by new product launches and entry into new markets.
Source: Amul©GCMMF Limited, used with permission

Learning Objectives After studying this chapter you should be able to:

10.1 Explain the role of brands in creating market value.
10.2 Describe the key principles in designing brand elements and associations.
10.3 Discuss how a company should design the hierarchy of its brands.
10.4 Explain how a company should manage its brands over time.

10.5 Describe the key aspects of luxury branding.

Brands are one of the most valuable intangible assets of a firm, and it is incumbent on marketers to properly manage their value. Building a strong brand is both an art and a science. It requires careful planning, a deep long-term commitment, and creatively designed and executed marketing. A strong brand commands intense consumer loyalty—and at its heart is a great product or service. Building a strong brand is a never-ending process, as demonstrated by the marketers of Amul during the last 75 years.

Amul, a brand that resonates trust among Indian consumers, was established in 1946 as a cooperative dairy to protect the rights of farmers and rural milk producers. The Amul model of dairy development helped India transition from a milk-deficient nation to the world's largest milk producer. The secret behind the success of Amul representing its tagline 'The Taste of India', lies in its strategic brand positioning as a domestic, homegrown brand for everyone right from its inception.[1] Its diversified product portfolio has a wide range of milk based offerings for everyone's need, irrespective of their economic status. With its authentic taste, quality products and competitive pricing, Amul has evolved into an exemplary brand. Amul follows a 3-layered intensive distribution system with 6000 exclusive distributors that ensures the reach of its products—such as milk, curd, buttermilk, sweets, ice-creams—to even small towns with around 10,000 population. Its innovative product-specific and topical advertisements helped the brand to win over the trust of its customers across all product categories. The universally familiar 'Utterly Butterly Delicious' slogan and 'Blue-haired Amul Girl' connect all products under Amul's umbrella branding approach. Amul, ranked among the top five advertisers in India, spent 1% of its ₹52,000 crore turnover in 2019–20[2] on advertisements on TV, print, outdoors, radio and digital. The brand has invested in strengthening its social media presence and its live recipe content on Amul's Facebook page attracts over 10 million views daily. Content and communication in regional languages and Arabic through social media handles have built stronger bonds with customers across the country and in the Middle East. In 2020, Amul launched 60 new products and 120 stock keeping units (SKU and introduced another 33 new products in 2021 as it aims to double the turnover in the next five years.[3] A comprehensive portfolio of quality products, intensive distribution, affordable pricing and brand visibility drives Amul's special connect with millions of consumers in India and abroad.[4]

Marketers of successful 21st-century brands must excel at the strategic brand management process. **Strategic brand management** combines the design and implementation of marketing activities and programs to build, measure, and manage brands to maximize their value. It has four main steps:[5] identifying and establishing brand positioning, planning and implementing brand marketing, measuring and interpreting brand performance, and growing and sustaining brand value.

HOW DOES BRANDING WORK?

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, enhance, and protect brands, whether established brands such as Mercedes, Sony, and Nike or new ones like Warby Parker, Casper, and Tovala.

The American Marketing Association defines a **brand** as "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." The ultimate purpose of the brand is to create, for consumers, the company, and its collaborators, value that goes beyond the value created by the product and service aspects of the offering.

THE ESSENCE OF BRANDING

Branding is the process of endowing products and services with the power of a brand. It's all about creating differences between products. Marketers use brand names and other brand elements to inform consumers "who" and "what" the product is—and why consumers should care. Effective branding creates mental structures that help consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm.

Branding has been around for centuries as a means to identify the goods of one producer and distinguish them from those of another. Medieval guilds in Europe required that craftspeople put trademarks on their products to protect themselves and their customers against inferior quality. In the fine arts, branding began with artists signing their works. Brands today play a number of important roles that improve consumers' lives and enhance the financial value of firms.

How do you "brand" a product or a service? Although firms provide the impetus for brand creation through marketing programs and other activities, ultimately a brand resides in the minds and hearts of consumers. It is a perceptual entity rooted in reality but reflecting the views and idiosyncrasies of consumers.

For branding strategies to be successful and create brand value, consumers must be convinced that there are meaningful differences among brands in the product or service category. Brand differences are often related to attributes or benefits of the product itself. Gillette, Merck, and 3M have led their product categories for decades, in part because of continual innovation. Other brands create competitive advantages through non–product-related means. Gucci, Chanel, and Louis Vuitton have become category leaders by understanding consumer motivations and desires and creating relevant and appealing imagery around their stylish products.

Successful brands are seen as genuine and authentic in what they sell and who they are.[6] A successful brand makes itself an indispensable part of its customers' lives. Once a faded preppy afterthought, J.Crew tripled its revenue by becoming a highly creative force in fashion. By constantly introducing new styles while retaining a cohesive look, the brand enjoys intense loyalty, numerous fan blogs, and high-profile celebrity supporters like Michelle Obama and Anna Wintour.

Marketers can apply branding virtually anywhere a consumer has a choice. It's possible to brand a physical good (Tesla automobile or Lipitor cholesterol medication), a service (Singapore Airlines or Blue Cross Blue Shield medical insurance), a store (Nordstrom or Dick's Sporting Goods), a place (the city of Sydney or the country of Ireland), an organization (U2 or the American Automobile Association), or an idea (abortion rights or free trade).

Branding has become of great importance in sports, arts, and entertainment. One of the world's top sports brands comes from Madrid, Spain.

> **Real Madrid** Real Madrid surpassed Manchester United in 2013 to become the world's most valuable team in soccer—or football, as it is known outside the United States—with an estimated value of $3.3 billion. Also known by fans as "Los Merengues," the iconic but floundering club began to thrive when the billionaire construction tycoon Florentine Perez took over in 2000. Perez's strategy was to attract some of the very top players in the game, brand names in their own right, such as David Beckham, Zinedine Zidane, and, later, Cristiano Ronaldo. Success on the pitch (field) allowed Perez to develop three distinct and lucrative lines of business: broadcast rights, sponsorship and endorsement revenue, and match-day revenue. Real Madrid is truly a global brand and derives much of its revenue abroad. Sponsorship includes high-profile deals with Adidas, Emirates Airlines, and Spanish banking group BBVA.[7]

THE ROLE OF BRANDS

Brands identify the maker of a product and allow consumers to assign responsibility for its performance to that maker or distributor. Brands perform a number of functions for both consumers and firms.

Brands' Role for Consumers. A brand is a promise the firm makes to the consumer. It is a means to set consumers' expectations and reduce their risk. In return for customer loyalty, the firm promises that its products or services will reliably deliver a predictably positive experience and set of desirable benefits. A brand may even be "predictably unpredictable" if that is what consumers expect, but the key is that it fulfills or exceeds customer expectations in satisfying their needs and wants.

Consumers may evaluate the identical product differently depending on how it is branded. For example, consumers might be willing to pay $100 for a generic (unbranded) leather bag but ten times more for the same bag carrying the brand of Louis Vuitton, Hermès, or Gucci. They learn about brands through past experiences with the product and its marketing program, finding out which brands satisfy their needs and which do not. As consumers' lives become more rushed and complicated, a brand's ability to simplify decision making and reduce risk becomes invaluable.[8]

Brands can also take on personal meaning for consumers and become an important part of their identity.[9] They can express who consumers are or who they would like to be. For some consumers, brands can even take on human-like characteristics.[10] Brand relationships, like any relationship, are not cast in stone, and marketers must be sensitive to all the words and actions that might strengthen or weaken consumer ties with the brand.[11]

Signing top players who were brands in their own right rocketed football (soccer) team Real Madrid into a multibillion-dollar global brand.
Source: Xinhua/Alamy Stock Photo

Treebo Founded in 2015 by Sidharth Gupta (CEO), Rahul Chaudhary, and Kadam Jeet Jain, Treebo is an app-based aggregator of budget hotels. The hospitality sector in India offers a wide range of star-rated high quality hotels as well as thousands of stand-alone budget hotels providing cheap and low-quality accommodation. Customers wary about staying in budget hotels had but limited choice. Treebo tapped this gap as an opportunity to develop an asset light, franchisee-based business model with a mission to put dignity in to budget travel. It signed up with owners of small hotels, typically with 20–25 rooms, standardized the facilities, amenities and services, introduced technology-driven systems for property management and trained personnel to offer quality accommodation at affordable prices. Harnessing mobile applications and social media platforms, Treebo attracted customers who wanted a quality experience within limited budget. In 2018, Treebo divided its portfolio of over 400 hotels into three sub-brands—Trip, Trend, and Tryst—while retaining Treebo as a parent umbrella brand. The sub-brands offer a tiered level of amenities with differential prices ranging from ₹1000–₹1500 for Trip, ₹1500 –₹2500 for Trend, and ₹2500–₹4,000 for Tryst.[12] Sidharth believes that the new branding initiatives will help them forge a deeper relationship with customers by giving them more transparency on what they can expect when they check into a Treebo property.[13] The company also expanded into travel-related services for local events and activities and had more than 600 hotels and 12,000 rooms operational in 113 cities in 2021.[14]

Budget hotel chain Treebo ran a very successful quality guarantee campaign titled `perfect stay or don't pay' to convey the confidence in its brand's promise of a premium experience.
Source: ©Treebo Hotels, used with permission

The hue and cry raised by passionately loyal fans forced Coca-Cola to ditch its heavily researched launch of New Coke and reinstate the company's century-old formula.
Source: Todd Gipstein/Getty Images

Coca-Cola Battered by a nationwide series of taste-test challenges from sweeter-tasting Pepsi-Cola, Coca-Cola decided in 1985 to replace its old formula with a sweeter variation dubbed New Coke. The company spent $4 million on market research, and blind taste tests showed that Coke drinkers preferred the new formula. But the launch of New Coke provoked a national uproar. Market researchers had measured the taste but failed to adequately measure the emotional attachment consumers had to Coca-Cola. There were angry letters, formal protests, and even lawsuit threats to force the retention of "The Real Thing." Ten weeks later, the company reintroduced its century-old formula as "Classic Coke." Efforts to resuscitate New Coke eventually failed, and the brand disappeared around 1992. Ironically, the failed introduction of New Coke ended up giving the old formula measurably stronger status in the marketplace, with more favorable attitudes and greater sales as a result. Interestingly, 34 years later, New Coke made a brief comeback as part of a promotional campaign with Netflix, when it was

> featured in several episodes of the third season of the sci-fi thriller "Stranger Things" and was made available in retail channels for a limited time.[15]

Brands' Role for Firms. Brands also perform valuable functions for firms.[16] First, they simplify product handling by helping to organize inventory and accounting records. A credible brand signals a certain level of quality so that satisfied buyers can easily choose the product again.[17] Brand loyalty provides predictability and security of demand for the firm and creates barriers to entry that make it difficult for other firms to enter the market. Loyalty also can translate into customer willingness to pay a higher price—often even 20 percent to 25 percent more than the price of competing brands.[18]

Although competitors may duplicate manufacturing processes and product designs, they cannot easily match the lasting impressions left in the minds of individuals and organizations by years of favorable product experiences and marketing activity. In this sense, branding can be a powerful means to secure a competitive advantage. Sometimes marketers don't see the real importance of brand loyalty until they change a crucial element of the brand, as the classic tale of New Coke illustrates.

For firms, brands represent enormously valuable pieces of legal property that can influence consumer behavior, can be bought and sold, and offer their owner the security of sustained future revenues.[19] Companies have paid dearly for brands in mergers or acquisitions, often justifying the price premium on the basis of the extra profits expected and the difficulty and expense of creating similar brands from scratch.[20] Wall Street believes strong brands result in better earnings and profit performance for firms, which, in turn, create greater value for shareholders.[21]

BRAND EQUITY AND BRAND POWER

The value created by a brand is captured by two key concepts: brand equity and brand power. We discuss these two concepts and the relationship between them next.

Brand Equity. The monetary value of a brand is called **brand equity** and reflects the premium that is placed on a company's valuation because of its ownership of the brand. Brand equity encompasses the net present value of the total financial returns that the brand will generate over its lifetime. Understanding the concept of brand equity, managing its antecedents and consequences, and developing methodologies to assess brand equity are of the utmost importance for ensuring a company's financial well-being.

Prior to the wave of mergers and acquisitions in the 1980s, including the $25 billion RJR Nabisco buyout, companies spent millions of dollars on brand building with no established accounting procedures in place to assess the value of the brands they created. The spate of mergers and acquisitions spiked interest in brand valuation and led to more accurate ways to measure brand equity. Putting a fair dollar amount on the brand assets that a firm has accrued through the years is vital, because the value of its brands is not reflected in the company's books and could exceed its tangible assets.

Brand equity is included in the accounting term **goodwill**, which is the monetary value of all intangible assets of a company. Goodwill not only documents the company's tangible assets, such as property, infrastructure, materials, and investments, but also incorporates the intangible assets that a company owns, including brands, patents, copyrights, know-how, licenses, distribution arrangements, company culture, and management practices. Thus, goodwill is a much broader term than brand equity and includes both the value of the company's brand and the value of the company's other intangible assets.

Measuring Brand Equity. Although the importance of brand equity is undisputed, there is no universally agreed-on method for assessing the equity of a brand accurately.[22] Several alternative methods exist, all of which emphasize different means of gauging brand equity. The *cost approach*, the *market approach*, and the *financial approach* are the three most common methods of measuring brand equity.

- The **cost approach** calculates brand equity by examining the costs of developing the brand, such as marketing research, brand design, communication, management, and legal costs. The cost method can hinge on the historical costs of creating the brand, which include an estimate of all relevant brand-building expenditures; alternatively, it can be based on the brand's replacement cost—the monetary expense of rebuilding the brand—at the time of valuation.

- The **market approach** estimates brand equity by measuring the difference between the sales revenues from a branded offering against those of an identical unbranded offering, adjusted for the expense of building the brand. Assessing the value of the Morton Salt brand, for example, would entail comparing the sales revenues generated by the Morton product with the sales revenues generated by its generic equivalent—regular salt—minus the cost of building and managing the brand.
- The **financial approach** evaluates brand equity as the net present value (NPV) of a brand's future earnings and usually encompasses three key steps: computing the company's future cash flow, estimating the brand's contribution to the company's future cash flow, and adjusting this cash flow using a risk factor that accounts for the volatility of the earnings that are attributable to the brand.

Each of the three approaches has its advantages and shortcomings. Therefore, a company can benefit from using multiple methods and alternative approaches to measuring brand value. Such approaches must take into account the strategic value of the brand and, specifically, the brand's power to influence the behavior of different market entities.

Brand Power. Brand power, also referred to as customer-based brand equity, is the ancillary value contributed by the brand to a product or a service.[23] Brand power reflects the degree to which the brand influences the way consumers think, feel, and act with respect to the brand.

Brand power is thus the differential effect that brand knowledge has on consumer response to the marketing of that brand.[24] A brand has positive power if consumers react more favorably to a product and the way it is marketed when the brand is identified than when it is not identified. A brand has negative power if consumers react less favorably to marketing activity for the brand under the same circumstances.

Brand power arises from differences in consumer response that a brand evokes. If no differences occur, the brand-name product is essentially a commodity, and competition will probably be based on price. Furthermore, differences in response are a result of consumers' brand knowledge, as well as of all the thoughts, feelings, images, experiences, and beliefs associated with the brand. Brands must create strong, favorable, and unique brand associations with customers, as have Toyota (reliability), Hallmark (caring), and

Amazon.com (convenience and wide selection). Finally, brand equity is reflected in perceptions, preferences, and behavior related to all aspects of the marketing of a brand. Stronger brands earn greater revenue.[25]

The key benefits of brand power include improved perception of product performance, greater loyalty, less vulnerability to competitive marketing actions and marketing crises, larger margins, more inelastic consumer response to price increases and more elastic consumer response to price decreases, greater trade cooperation and support, increased effectiveness of marketing communications, expanded licensing opportunities, additional brand extension opportunities, improved employee recruiting and retention, and greater financial market returns.

The challenge for marketers, therefore, is ensuring that customers have the right kinds of experiences with products, services, and marketing programs to create the desired thoughts, feelings, and brand knowledge. In an abstract sense, we can think of brand equity as providing marketers with a vital strategic bridge from their past to their future.

Marketers should also think of the marketing dollars spent on products and services each year as investments in consumer brand knowledge. The quality, rather than the quantity, of that investment is the critical factor. It's possible to overspend on brand building if money is not spent wisely.

Customers' brand knowledge dictates appropriate future directions for the brand. Consumers will decide, based on what they think and feel about the brand, where (and how) they believe the brand should go, and they will (or will not) grant permission to any marketing action or program. New-product ventures such as Bengay aspirin, Cracker Jack cereal, Frito-Lay lemonade, Fruit of the Loom laundry detergent, and Smucker's premium ketchup all failed because consumers found them inappropriate extensions of the brand.

Measuring Brand Power. How do we measure brand power? An *indirect* approach assesses potential sources of brand power by identifying and tracking consumer brand knowledge.[26] A *direct* approach assesses the actual impact of brand knowledge on consumer response to different aspects of the marketing.

The two general approaches are complementary, and marketers can employ both. In other words, for brand power to perform a useful strategic function and guide marketing decisions, marketers need to fully understand (1) the sources of brand equity and how they affect outcomes of interest and (2) how these sources and outcomes change, if at all, over time. Brand audits are important for the former, brand tracking for the latter.

- A **brand audit** is a focused series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity. Marketers should conduct a brand audit when setting up marketing plans and when considering shifts in strategic direction. Conducting brand audits on a regular basis, such as annually, allows marketers to keep their finger on the pulse of their brands so they can manage them more proactively and responsively. A good brand audit provides keen insights into consumers, brands, and the relationship between the two.
- In **brand tracking**, the brand audit is used as input to collect quantitative data from consumers over time, providing consistent, baseline information about how brands and marketing programs are performing. Brand-tracking studies help us understand where, to what degree, and in what ways brand value is being created to facilitate day-to-day decision making.

One group that conducted a major brand audit and redefined its brand positioning is Mahindra and Mahindra.

> **Mahindra and Mahindra** Mahindra and Mahindra, a leading conglomerate with a legacy of more than seven decades, operates in 100+ countries with over 150 companies in sectors ranging from aerospace, automobiles, farm equipment to financial services, real estate and software services. In 2011, the company initiated a new brand positioning program 'Rise' to project a singular voice for all its businesses.[27] Extensive studies across the globe helped the marketing team at Mahindra identify its customers' desire to rise, to succeed and create a better future for themselves. Mahindra Rise was chosen to reflect the customers desire as a company that empowers them to 'Rise'. Founded on the three pillars of accepting no limits, alternative thinking and driving positive change, 'Rise' also sought to unite over 100,000 employees of the group as creators of world-class offerings. The company spent ₹120 crore in the next three years to promote the new initiative across employees and customers of its global entities.[28] With its

new logo, the group created an identity of a 'technology and innovation – led global, federation of companies that provide a wide range of products, services and possibilities to people, enabling them to 'Rise'. The repositioning campaign reinforced the identity of a new, emerging global brand while preserving its heritage attributes and contemporary value system.[29]

Driven by its expanding global footprint, the diversified Mahindra group initiated a major brand repositioning exercise in 2011 that resulted in a new logo with a tag `Rise'. The 3-year transformation involved incorporating `Rise' in performance management systems to the company's websites, offices, sales and service outlets.
Source: Mahindra Rise©Mahindra, used with permission

Marketers should distinguish brand equity from brand valuation, which is the job of estimating the total financial value of the brand. In well-known companies, brand value is typically more than half the total company market capitalization. John Stuart, cofounder of Quaker Oats, said, "If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trademarks, and I would fare better than you." U.S. companies do not list brand equity on their balance sheets, in part because of differences in opinion about what constitutes a good estimate. However, companies do give it a value in countries such as the United Kingdom, Hong Kong, and Australia.

DESIGNING THE BRAND

Marketers build brand equity by creating the right brand associations in consumers' minds. The success of this process depends on *all* brand-related contacts with consumers—whether marketer-initiated or not.[30]

DEFINING THE BRAND MANTRA

To focus brand positioning and guide the way their marketers help consumers think about the brand, firms can define a brand mantra. A **brand mantra** is a three- to five-word articulation of the heart and soul of the brand and is closely related to other branding concepts like "brand essence" and "core brand promise." The mantra's purpose is to guide the actions of all employees within the organization, and of all external marketing partners, by ensuring that they understand what the brand fundamentally should represent to consumers.

Brand mantras are powerful devices. By highlighting points of difference, they 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 can even extend beyond these tactical concerns. Brand mantras can 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 effect on customers' impressions.

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

Nike The Nike brand has a rich set of associations for consumers, based on its innovative product designs, its sponsorship of top athletes, its award-winning communications, 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 the way they are sold—must reflect that key brand value. Over the years, Nike has expanded its brand associations 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 was that the products’ material, cut, and design must be innovative enough 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 (such as 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 were marketed in so many ways, that in some cases it was difficult to discern what the rationale behind the deal could have been to start with. Moreover, because of the characters’ broad exposure 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 that end, Disney adopted the internal brand mantra “fun family entertainment” to filter proposed ventures. Opportunities that were not consistent with the brand mantra—no matter how appealing—were rejected. (As useful as that mantra was to Disney, adding the word *magical* might have made it even more so.)

Unlike brand slogans meant to engage consumers, brand mantras are designed with internal purposes in mind. Nike's internal mantra, "authentic athletic performance," was not directly communicated to consumers, who were presented, instead, with the slogan "Just Do It" that aimed to capture the brand mantra. There are three key criteria for a brand mantra. First, a good brand mantra should *communicate* what is unique about the brand. It may also need to define the brand's category (or categories) and set brand boundaries. Second, it should simplify the essence of the brand: It should be short, crisp, and vivid in meaning. Finally, it should inspire by staking out ground that is personally meaningful and relevant to as many employees as possible.

For brands anticipating 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 are less likely to occur, the brand mantra may focus exclusively on points of difference.

Other brands may be strong on one, or perhaps even a few, of the brand associations that make up the company's brand mantra. However, for a mantra to be effective, no other brand should singularly excel on *all* its dimensions. Part of the key to the success of both Nike and Disney is that for many years, no competitor could really deliver on the combined promise suggested by their brand mantras.

CHOOSING BRAND ELEMENTS

Brand elements are devices that identify and differentiate the brand. Most strong brands employ multiple brand elements, which can be trademarked. Nike has the distinctive "swoosh" logo, the empowering "Just Do It" slogan, and the "Nike" name from the Greek winged goddess of victory. Marketers should choose brand elements that build as much brand equity as possible. The test of the appropriateness of a particular brand element is what consumers would think or feel about the product or service *if the brand element were all they knew*. Based on its name alone, for instance, a consumer might expect

SnackWell's products to be healthful snack foods and Panasonic Toughbook laptop computers to be durable and reliable.

There are several factors to consider when choosing brand elements. They should be memorable, meaningful, and likable, as well as transferable, adaptable, and protectable. The first three characteristics are brand-building. The latter three are defensive; they help maintain leverage and preserve brand equity against challenges.

- *Memorable*—How easily do consumers recall and recognize the brand element, and when? At both purchase and consumption? Names such as Tide, Crest, and Puffs are memorable brand elements.[31]
- *Meaningful*—Is the brand element evocative? Consider the inherent meaning in names such as DieHard auto batteries, Mop & Glo floor wax, and Lean Cuisine low-calorie frozen entrées. The brand name of New Zealand's 42BELOW vodka refers to both a latitude that runs through New Zealand and the drink's alcohol content. The packaging and other visual cues are designed to leverage the perceived purity of the country to communicate the positioning for the brand.[32]
- *Likable*—How aesthetically appealing is the brand element? A recent trend is toward playful names that also offer a readily available URL, especially for online brands like Flickr, Instagram, Pinterest, Tumblr, and Dropbox.
- *Transferable*—Can the brand element introduce new products in the same or different categories? Does it add to brand equity across geographic boundaries and market segments? Although initially an online bookseller, Amazon.com was smart enough not to call itself "Books 'R' Us." Choosing the name of the world's biggest river allowed the company to grow into its now staggeringly diverse range of products.
- *Adaptable*—How adaptable and updatable is the brand element? Logos can easily be updated. The past 100 years have seen the Shell logo updated 10 times.
- *Protectable*—How legally protectable is the brand element? How competitively protectable? When names are in danger of becoming synonymous with product categories—as has happened to Kleenex, Kitty Litter, Jell-O, Scotch Tape, Xerox, and Fiberglass—their makers should retain their trademark rights and not allow the brand to become generic.

Brand elements can play a number of brand-building roles.[33] If consumers don't examine much information in making product decisions, brand elements should be easy to recall and inherently descriptive and persuasive. The likability of brand elements can also increase awareness and associations.[34] But choosing a name with inherent meaning may make it harder to later add a different meaning or update the positioning.[35]

Often, the more important brand elements are those that capture intangible, less concrete characteristics. Many insurance firms use symbols of strength for their brands (the Rock of Gibraltar for Prudential and the stag for Hartford) or symbols of security (the "good hands" of Allstate, the Traveler's umbrella, and the hard hat of Fireman's Fund).

Like brand names, slogans are an extremely efficient means of building brand equity.[36] They can function as useful "hooks" to help consumers grasp what the brand is and what makes it special, as in "Like a Good Neighbor, State Farm Is There," "Nothing Runs Like a Deere," and "Every Kiss Begins with Kay" for the jeweler.

Firms should be careful about replacing a good slogan. Citi walked away from its famous "Citi Never Sleeps" slogan, replacing it with "Let's Get It Done," only to return to the old slogan when the new one failed to catch on. After 50 years, Avis Car Rental dropped "We Try Harder" for "It's Your Space." The new slogan had much less staying power—to say nothing of the inherent message—of the one it replaced.

The brand name and other identifiers can be protected through registered trademarks, manufacturing processes can be protected through patents, and packaging can be protected through copyrights and proprietary designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset.[37]

CHOOSING SECONDARY ASSOCIATIONS

To build strong brands, marketers link brands to other meaningful information in the memories of consumers. These linked associations become secondary sources of brand knowledge (see Figure 10.1).

The Magic of Brand Characters

Brand characters have a long and important history in marketing. The Keebler elves reinforce home-style baking quality and a sense of magic and fun for the company's line of cookies. In the insurance industry, the Aflac duck competes for consumer attention with GEICO's gecko, and Progressive's chatty Flo competes with Met Life's adorable Peanuts characters. Michelin's friendly tire-shaped Bibendum—the "Michelin Man"—conveys safety for the family and is credited with helping the brand achieve 80 percent awareness around the world. Each year Michelin distributes a “Passport” for Bibendum that sets boundaries on the character’s advertising use by marketers. Bibendum is never aggressive, for example, and never delivers a sales pitch.[38]

Brand characters represent a special type of brand symbol—one with human characteristics that both enhance likability and tag the brand as interesting and fun. Consumers can more easily form relationships with a brand when it is represented by a human or other character. Brand characters typically are introduced through advertising and can play a central role in ad campaigns and package designs. M&M’s “spokescandies” are an integral part of all advertising, promotion, and digital communications for the brand. Some brand characters are animated, like the Pillsbury Doughboy, Peter Pan (peanut butter), and numerous cereal characters such as Tony the Tiger and Snap, Crackle, & Pop. Others are live-action figures like Juan Valdez (Colombian coffee) and Ronald McDonald.[39]

Because they are often colorful and rich in imagery, brand characters can help brands break through marketplace clutter and communicate a key product benefit in a soft-sell manner. Characters also avoid many of the problems associated with human spokespeople: They don’t demand pay raises or misbehave. Offering the opportunity to shape the brand’s personality and facilitate consumer interactions, brand characters play an increasingly important role in a digital world. The success of Mr. Peanut in viral videos led to the introduction of a new peanut butter line. Even old-timers are making their way onto the web. First introduced in 1957, Mr. Clean has amassed over a million Facebook fans.

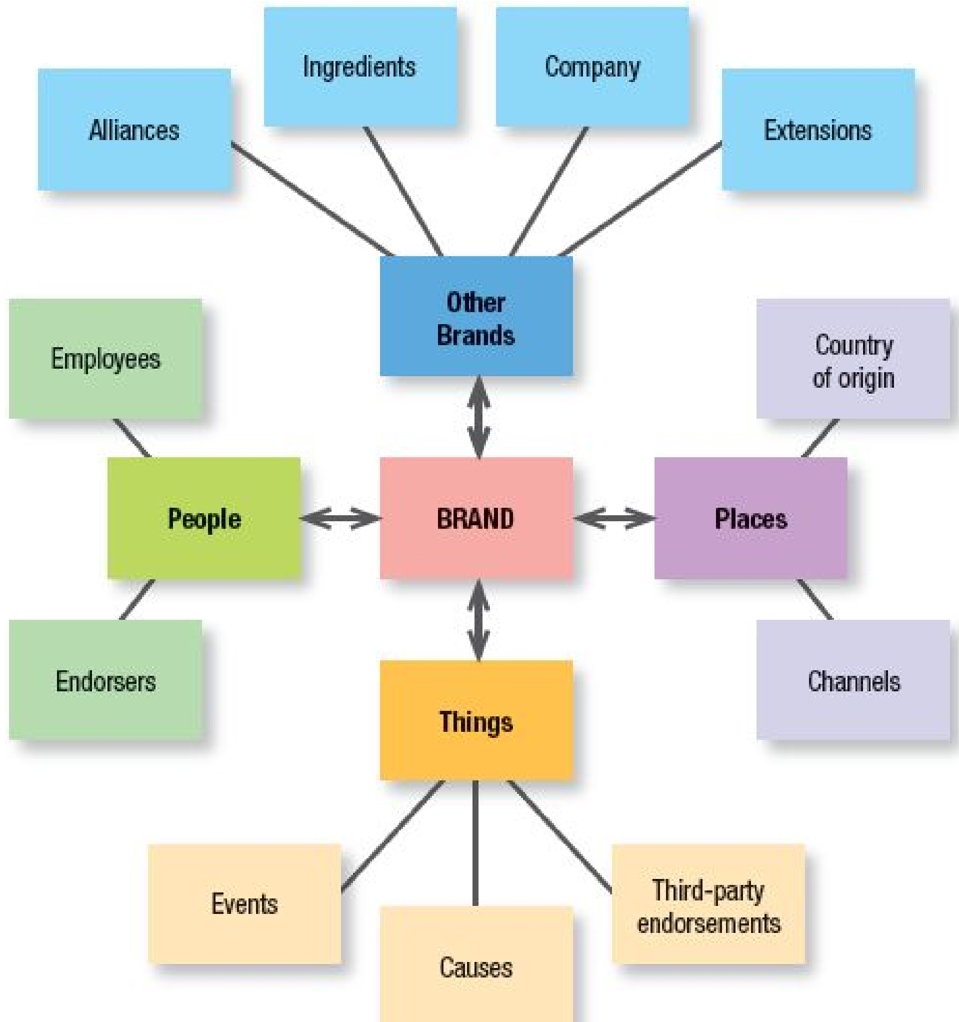


FIGURE 10.1
Secondary Sources of Brand Knowledge

These "secondary" brand associations can link the brand to sources such as the company itself (through branding strategies), to countries or other geographic regions (through identification of product origin), and to channels of distribution (through channel strategy), as well as to other brands (through ingredient or cobranding), characters (through licensing), spokespeople (through endorsements), sporting or cultural events (through sponsorship), or some other third-party sources (through awards or reviews).

Suppose Burton—the maker of snowboards, snowboard boots, bindings, clothing, and outerwear—decided to introduce a new surfboard called the Dominator. Burton has gained more than a third of the snowboard market by closely aligning itself with top professional riders and creating a strong amateur snowboarder community around the country.[40] To support the new surfboard, Burton could leverage secondary brand knowledge in a number of ways.

First, it could "sub-brand" the surfboard, calling it "Dominator by Burton." In this case, consumers' evaluations of the new product would be influenced by how they felt about Burton and by whether they felt that such knowledge predicted the quality of a Burton surfboard. Alternatively, Burton could rely on its rural New England origins, but this geographic location would seem to have little relevance to surfing. Burton could also sell through popular surf shops in the hope that their credibility would rub off on the Dominator brand. Burton could co-brand by identifying a strong ingredient brand for its foam or fiberglass materials (as Wilson did by incorporating Goodyear tire rubber on the soles of its Pro Staff Classic tennis shoes).

Another approach for Burton would be to find one or more top professional surfers to endorse the surfboard, or it could sponsor a surfing competition or even the entire Association of Surfing Professionals (ASP) World Tour. Finally, Burton could secure and publicize favorable ratings from third-party sources such as the magazines *Surfer* and *Surfing*. Thus, independent of the associations created by the surfboard itself, its brand name, or any other aspects of the marketing program, Burton could build equity by linking the brand to these other entities.

Leveraging secondary associations can be an efficient and effective way to strengthen a brand. But linking a brand to someone or something else can be risky, because anything bad that happens to that other entity may also be linked to the brand. When popular endorsers Tiger Woods and Lance Armstrong got into trouble, many of the firms that were using them to promote their brands chose to cut ties.

A brand's secondary associations must be aligned with the brand's personality. A **brand personality** is the specific mix of human traits that we can attribute to a particular brand. Defining the personality of a brand is important because consumers tend to choose brands whose personalities match their own. Researchers have identified the following brand personality traits:[41] Sincerity (down to earth, honest, wholesome, and cheerful), Excitement (daring, spirited, imaginative, and up-to-date), Competence (reliable, intelligent, and successful), Sophistication (upper-class and charming), and Ruggedness (outdoorsy and tough). A brand personality may have several attributes: Levi's suggests a personality that is youthful, rebellious, authentic, and American.

A cross-cultural study exploring the generalizability of the brand personality scale outside the United States found that three of the five factors applied in Japan and Spain, but that a "peacefulness" dimension replaced "ruggedness" in both countries, and a "passion" dimension emerged in Spain instead of "competence."[42] Research on brand personality in Korea revealed two culture-specific factors—"passive likableness" and "ascendancy"—reflecting the importance of Confucian values in the Korean social and economic systems.[43]

BRAND HIERARCHY

Brand hierarchy reflects the way in which a company's brands are related to a company's products and services, as well as to one another. Developing a meaningful brand hierarchy is particularly important for companies that are managing diverse brand portfolios.

MANAGING BRAND PORTFOLIOS

A brand can be stretched only so far, and it is possible that not all segments that the firm would like to target view the brand in an equally favorable light. Marketers often need multiple brands in order to pursue multiple consumer segments. Other reasons for introducing multiple brands in a category include increasing shelf presence and retailer dependence in the store, retaining variety-seeking consumers who may otherwise switch to another brand, increasing competition within the firm, and exploiting economies of scale in advertising, sales, merchandising, and physical distribution.[44]

The **brand portfolio** is the set of all brands and brand lines that a particular firm offers for sale in a particular category or market segment. Building a good brand portfolio requires careful thinking and creative execution. The hallmark of an optimal brand portfolio is the ability of each brand it contains to maximize equity in combination with all the other brands. Marketers generally need to trade off market coverage with costs and profitability. If they can increase profits by dropping brands, a portfolio is too big; if they can increase profits by adding brands, it's not big enough.

The basic principle in designing a brand portfolio is to maximize market coverage so that no target customers are ignored but to minimize brand overlap so company brands are not competing for customer approval. Each brand should be clearly differentiated and appealing to a sufficiently sizable marketing segment to justify its marketing and production costs. Consider these examples:

> **Dow Corning** Dow Corning has adopted a dual-brand approach to sell its silicon, which is used as an ingredient by many companies. Silicon sold under the Dow Corning name uses a "high touch" approach that gives customers much attention and support; silicon sold under the Xiameter name uses a "no frills" approach emphasizing low prices.[45]

> **Unilever** Unilever, partnering with PepsiCo, sells four distinct brands of ready-to-drink iced tea. Brisk Iced Tea is an "on ramp" brand that serves as an entry point and a "flavor-forward" value brand; Lipton Iced Tea is a mainstream brand with an appealing blend of flavors; Lipton Pure Leaf Iced Tea is a premium and "tea-forward" brand for tea purists; and Tazo is a super-premium, niche brand.[46]

Marketers carefully monitor brand portfolios over time to identify weak brands and kill unprofitable ones.[47] Brands associated with poorly differentiated offerings are likely to be characterized by cannibalization and brand dilution. Such overextended and undifferentiated offerings might require pruning in order to ensure the health of the brand and its ability to create market value.

Three general brand portfolio strategies are popular:

- A **house-of-brands strategy** involves individual or separate family brand names. Consumer packaged-goods companies have a long tradition of branding different products by different names. General Mills largely uses individual brand names, such as Bisquick, Gold Medal flour, Nature Valley granola bars, Old El Paso Mexican foods, Progresso soup, Wheaties cereal, and Yoplait yogurt. If a company produces quite different products, one blanket name is often not desirable. Swift & Company developed separate family names for its hams (Premium) and fertilizers (Vigoro). Companies often use different brand names for different quality lines within the same product class. A major advantage of separate family brand names is that if a product fails or appears to be of low quality, the company has not tied the reputation of its other offerings to that product.[48]

- A **branded-house strategy** involves a corporate umbrella or company brand name. Many firms, such as Heinz and GE, use their corporate brand as an umbrella brand across their entire range of products.[49] Development costs are lower with umbrella names, because there's no need to research a name or spend heavily on advertising to build recognition. Campbell Soup introduces new soups under its brand name with extreme simplicity and achieves instant recognition. Sales of the new product are likely to be strong if the manufacturer's name is good. Corporate-image associations of innovativeness, expertise, and trustworthiness have been shown to directly influence consumer evaluations.[50] Finally, a corporate branding strategy can lead to greater intangible value for the firm.[51] On the downside, however, there is a greater change of a negative spillover effect if consumers' bad experience with one product contaminates their perceptions of other products associated with the same brand.
- A **sub-brand strategy** combines two or more corporate, family, or individual product brand names. Kellogg employs a sub-brand or hybrid branding strategy by combining the corporate brand with individual product brands (as with Kellogg's Rice Krispies, Kellogg's Raisin Bran, and Kellogg's Corn Flakes). Many durable-goods makers such as Honda, Sony, and Hewlett-Packard use sub-brands for their products. The corporate or company name legitimizes the new product, and the sub-brand name individualizes it.

The house-of-brands and branded-house strategies represent two ends of a continuum. A sub-brand strategy falls somewhere between, depending on which component of the sub-brand receives more emphasis. A good example of a house-of-brands strategy is used by United Technologies.

With a branded-house strategy, it is often useful to have a well-defined flagship product. A **flagship product** is one that best represents or embodies the brand as a whole to consumers. It often is the first product by which the brand gained fame, a widely accepted best-seller, or a highly admired or award-winning product.[52]

United Technologies (now Raytheon Technologies) relies on the power of its individual brands—which include Pratt & Whitney, Goodrich, Otis, Carrier, and Kidde—to garner recognition and respect for the parent organization.
Source: David Gee/Alamy Stock Photo

United Technologies United Technology Corporation (UTC) provides a broad range of high-technology products and services for the aerospace and commercial building industries, generating nearly $63 billion in revenues. Its aerospace businesses include Sikorsky helicopters, Pratt & Whitney aircraft engines, and UTC Aerospace Systems (which includes Goodrich Corporation and Hamilton Sundstrand aerospace systems). UTC Building & Industrial Systems, the world's largest provider of building technologies, includes Otis elevators and escalators; Carrier heating, air-conditioning, and refrigeration systems; and fire and security solutions from brands such as Kidde and Chubb. Most of its in-market brands are the names of the individuals who invented the product or created the company decades ago. These names have more power and are more recognizable in the business-buying marketplace than the name of the parent brand, and employees are loyal to the individual companies. The UTC name is advertised only to small but influential audiences—the financial community and opinion leaders in New York and Washington, DC. “My philosophy has always been to use the power of the trademarks of the subsidiaries to improve the recognition and brand acceptance, awareness, and respect for the parent company itself,” said UTC’s former CEO George David. In early 2020, United Technologies merged with the defense contractor Raytheon, forming the Raytheon Technologies Corporation.[53]

Flagship products play a key role in the brand portfolio in that marketing them can have short-term benefits (increased sales) as well as long-term benefits (improved brand equity for a range of products). Certain models play important flagship roles for many car manufacturers. Besides generating the most sales, family sedans Toyota Camry and Honda Accord represent brand values that all cars from those manufacturers share. In justifying the large investments incurred in launching its new 2014 Mercedes S-class automobiles, Daimler’s chief executive Dieter Zetsche explained, “This car is for Mercedes-Benz what the harbor is for Hamburg, the Mona Lisa for Leonardo da Vinci and ‘Satisfaction’ for the Rolling Stones: the most important symbol of the reputation of the whole.”[54]

Many companies are introducing **branded variants**, which are specific brand lines supplied to specific retailers or distribution channels. They result from the pressure retailers put on manufacturers to provide distinctive offerings. A camera company may supply its low-end cameras to mass merchandisers, while limiting its higher-priced items to specialty camera shops. Valentino may design and supply different lines of suits and jackets to different department stores.[55]

COBRANDING

Marketers often combine their brands with brands from other companies to create superior market value. **Cobranding**—also called dual branding—involves two or more brands marketed together.

The Essence of Cobranding. One form of cobranding is *same-company cobranding*, as when General Mills advertises Trix cereal and Yoplait yogurt. Another form is *joint-venture cobranding*, such as General Electric and Hitachi lightbulbs in Japan or the Citi Platinum Select AAdvantage Visa Signature credit card in which three different parties are involved. There is *multiple-sponsor cobranding*, such as Taligent, a one-time technological alliance of Apple, IBM, and Motorola. Finally, there is *retail cobranding* in which two retail establishments use the same location to optimize space and profits, such as jointly owned Pizza Hut, KFC, and Taco Bell restaurants.

The main advantage of cobranding is that a product can be convincingly positioned by virtue of the multiple brands. Cobranding can generate greater sales from the existing market and can open opportunities to attract new consumers and channels. It can also reduce the cost of product introduction because it combines two well-known images and speeds adoption. And cobranding may be a valuable means to learn about consumers and how other companies approach them. Companies in the automotive industry have reaped all these benefits.[56]

The potential disadvantages of cobranding are the risks and lack of control involved in becoming aligned with another brand in consumers' minds. Consumer expectations of co-brands are likely to be high, so unsatisfactory performance could have negative repercussions for both brands. And if one of the brands enters into a number of cobranding arrangements, overexposure may dilute the transfer of any meaningful association.[57]

For cobranding to succeed, the two brands must separately have brand equity—adequate brand awareness and a sufficiently positive brand image. The most important requirement is a logical fit between the two brands, to maximize the advantages of each while minimizing disadvantages. Consumers are more apt to perceive co-brands favorably if they are complementary and offer unique quality, rather than being overly similar and redundant.[58]

Managers must enter cobranding ventures carefully, looking for the right fit in values, capabilities, and goals, along with an appropriate balance of brand equity. There must be detailed plans to legalize contracts, make financial arrangements, and coordinate marketing programs. As one executive at Nabisco put it, "Giving away your brand is a lot like giving away your child—

you want to make sure everything is perfect." Financial arrangements between brands vary; one common approach is for the brand more deeply invested in the production process to pay the other a licensing fee and royalty.

Brand alliances require a number of decisions. What capabilities do you *not* have? What resource constraints do you face (people, time, money)? What are your strategic goals? Does partnering help strengthen brand equity? Is there any risk of diluting brand equity? Does the opportunity offer strategic advantages such as knowledge transfer?

Ingredient Branding. Ingredient branding is a special case of cobranding. It creates brand equity for materials, components, or parts that are necessarily contained within other branded products. For host products whose brands are not that strong, ingredient brands can provide differentiation and important signals of quality.[59]

Successful ingredient brands include Dolby noise-reduction technology, the GORE-TEX water-resistant fibers, and Scotchgard fabrics. Vibram is the world leader in high-performance rubber soles for outdoor, work, military, recreation, fashion, and orthopedic shoes. Look under your shoe and you may find Vibram soles. They are used by a wide range of footwear manufacturers, including The North Face, Saucony, Timberland, Lacoste, L.L. Bean, Wolverine, Rockport, Columbia, Nike, and Frye.

An interesting take on ingredient branding is *self-branded ingredients* that companies advertise and even trademark.[60] Westin Hotels advertises its own "Heavenly Bed"—an ingredient that is critically important to a guest's good night's sleep. The brand has been so successful that Westin now sells the mattress, pillows, sheets, and blankets via an online catalog, along with other "Heavenly" gifts, bath products, and even pet items. The success of the bed has also created a halo for the Westin brand as a whole. Heavenly Bed enthusiasts are more likely to rate other aspects of their room or stay as positive.[61] If it can be done well, using self-branded ingredients makes sense because firms have more control over them and can develop them to suit their purposes.

The cobranding of Milka and Oreo, both Mondelēz brands, is aimed at gaining a stronger foothold for Swiss-based Milka in the U.S. market.
Source: page frederique/Shutterstock

Ingredient brands try to create enough awareness and preference for their product so consumers will not buy a host product that doesn't contain it. DuPont has introduced a number of innovative products, such as Corian solid-surface material, for use in markets ranging from apparel to aerospace. Many of its products, such as Tyvek house wrap, Teflon non-stick coating, and Kevlar fiber, became household names as ingredient brands in consumer products manufactured by other companies.

Many manufacturers make components or materials that are used in branded products but lose their individual identity. One of the few companies that avoided this fate is Intel. Intel's consumer-directed brand campaign convinced many personal computer buyers to purchase only brands with "Intel Inside." As a result, major PC manufacturers—Dell, HP, Lenovo—typically purchase their chips from Intel at a premium price rather than buying equivalent chips from an unknown supplier.

What are the requirements for successful ingredient branding?[62] First, consumers must believe the ingredient matters to the performance and success of the end product. Ideally, this intrinsic value is easily seen or experienced. Second, consumers must be convinced that the ingredient is superior. To this end, the company must coordinate a communication campaign—often with the help of the manufacturers of the final products and the retailers carrying these products—that helps consumers understand the advantages of the branded ingredient. Finally, a distinctive symbol or logo must clearly signal that the host product contains the ingredient. Ideally, this symbol or logo functions like a "seal" and is simple and versatile, credibly communicating quality and confidence.[63]

The Brand Value Chain

The **brand value chain** is a structured approach to assessing the sources and outcomes of brand equity and the way marketing activities create brand value (Figure 10.2). It is based on several premises.[64]

First, brand value creation begins when the firm targets actual or potential customers by investing in a marketing program to develop the brand, including marketing communications, trade or intermediary support, and product research, development, and design. This marketing activity will change customers' mindsets—customers' thoughts and feelings that become linked to the brand. Next, these customer mindsets will affect buying behavior and the way consumers respond to all subsequent marketing activity—pricing, distribution channels, communication, and the product itself—which will affect the resulting market share and profitability of the brand.

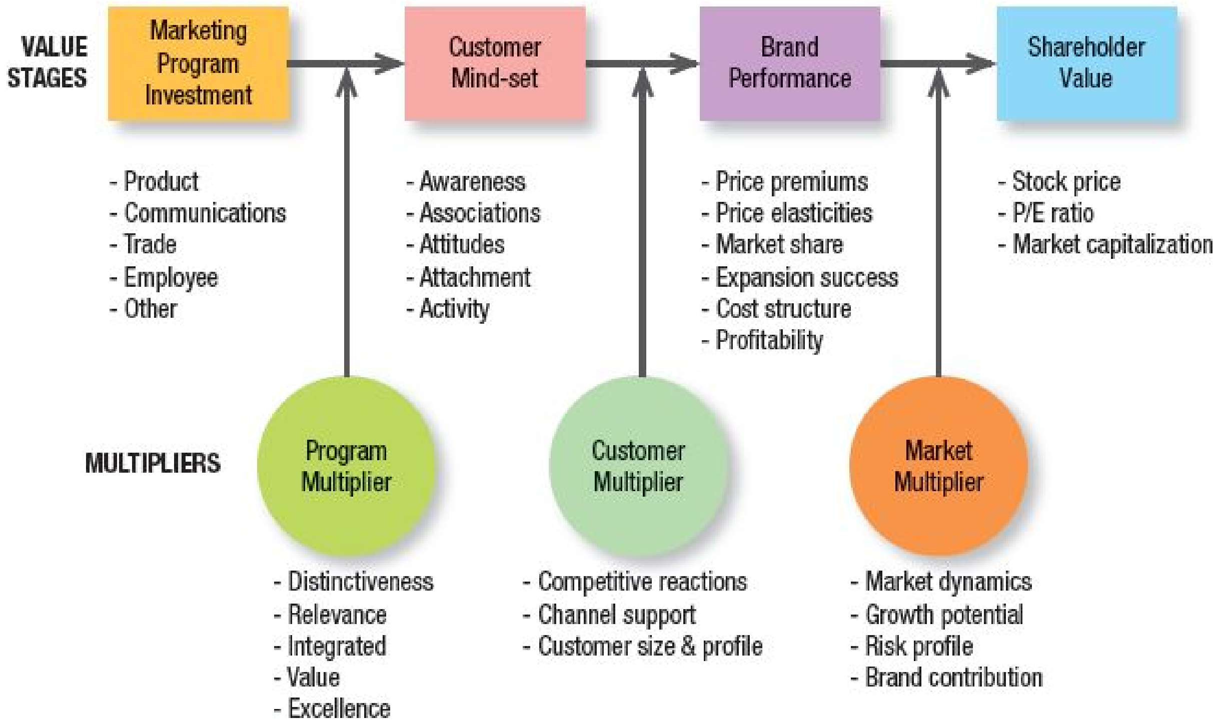


FIGURE 10.2
Brand Value Chain
Source: Kevin Lane Keller and Vanitha Swaminathan, *Strategic Brand Management*, 5th ed. (Upper Saddle River, NJ: Pearson Education, 2020), Chapter 3.

Finally, the investment community will consider the market performance of the brand when assessing shareholder value in general and the value of a brand in particular.

The model also assumes that three multipliers increase or decrease the value that can flow from one stage to another:

- The *program multiplier* determines the marketing program's ability to affect the customer mindset and is a function of the quality of the program investment.
- The *customer multiplier* determines the extent to which the value created in the minds and hearts of customers affects market performance. This result depends on competitive superiority (the effectiveness of the marketing investment of other competing brands), channel and other intermediary support (the amount of brand reinforcement and selling effort that various marketing partners

contribute), and customer size and profile (the number and types of customers, profitable or not, attracted to the brand).

- The *market multiplier* determines the extent to which the value shown by the market performance of a brand is manifested in shareholder value. It depends, in part, on the actions of financial analysts and investors.

BRAND DYNAMICS

Most brands don't stay the same; they evolve over time. The two most common ways in which brands evolve are through brand repositioning and brand extensions.

BRAND REPOSITIONING

Any new development in the marketing environment can affect a brand's fortunes. Nevertheless, a number of brands have managed to make impressive comebacks in recent years.[65] After some hard times in the automotive market, Cadillac, Fiat, and Volkswagen have all turned their brand fortunes around to varying degrees. General Motors's rescue of its fading Cadillac brand was fueled by a complete overhaul of its product lineup with new designs that redefined its look and styling, such as the SRX crossover, the XTS and CTS sedans, the Escalade SUV, and the ATS sports sedan. A healthy dose of breakthrough marketing, including the first use of Led Zeppelin's music in advertising, also helped.

Often, the first thing to do in repositioning a brand is to understand what the sources of brand equity were to begin with. Are positive associations losing their strength or uniqueness? Have negative associations become linked to the brand? Then decide whether to retain the same positioning or to create a new one (and, if so, what new positioning to create).[66]

Sometimes the actual marketing program is the source of the problem because it fails to deliver on the brand promise. Then a "back to basics" strategy may make sense. We've mentioned that Harley-Davidson regained its market leadership by doing a better job of living up to customer expectations for product performance. Pabst Brewing Company did the same by returning to its roots and leveraging iconic packaging and imagery and a perception of authenticity.

In other cases, however, the old positioning is just no longer viable, and a reinvention strategy is necessary. Mountain Dew completely overhauled its brand image to become a soft-drink powerhouse. As its history reveals, it is often easier to revive a brand that is alive but has been more or less forgotten. Old Spice is another example of a brand that transcended its roots as the classic aftershave and cologne gift set that baby boomers gave their dads on Father's Day to become positively identified with contemporary male grooming products for a younger Millennial audience. To revitalize Old Spice, P&G used product innovation and tongue-in-cheek communications that stressed the brand's "experience."

There is obviously a continuum of repositioning strategies, with pure "back to basics" at one end, pure "reinvention" at the other, and many combinations in between. The challenge is often to change enough to attract some new customers, but not so much as to alienate old ones.[67] Consider how Burberry made its comeback.

> **Burberry** Burberry has an incredible 150-year history. The company's classic English trench coats were worn by British soldiers in World War I; Sir Ernest Shackleton wore a Burberry during his Antarctic expedition; and Burberry has even been designated an official supplier to the royal family. By the turn of the 21st century, though, the brand's distinctive plaid pattern was no longer cool. It had been splashed over too many products and knocked off by too many counterfeiters. Despite the trench coat's iconic status, outerwear made up only 20 percent of Burberry's global business. To address this issue, Burberry decided to reinforce its heritage by emphasizing, innovating, and growing its core luxury products. Targeting the luxury customer of the future, Burberry removed the overworked plaid pattern from 90 percent of its products. The brand was repositioned to gain a more unified and contemporary sensibility, resulting in the creation of more than 300 different coats, from capes and cropped jackets to classic trenches in a variety of colors and styles. New stores were opened in

desirable locations, and training for sales associates was increased. Burberry's online presence was redesigned to be more appealing to Millennials, featuring emotive brand content like music, movies, heritage, and storytelling, including simulcasts of Burberry's runway shows. As a result, the company has become one of the most valuable luxury brands worldwide.[68]

To cement its luxury status among contemporary consumers, Burberry removed the ubiquitous signature plaid from many of its core products, created hundreds of new coat designs, and revamped its online presence to increase appeal to Millennials.
Source: iDubai/Alamy Stock Photo

BRAND EXTENSIONS

When a firm uses an established brand to introduce a new product in a different category or price tier, the resulting offering is called a **brand**

extension. Honda has used its company name to cover such different products as automobiles, motorcycles, snowblowers, lawn mowers, marine engines, and snowmobiles. This suite of products allows the firm to advertise that it can fit “six Hondas in a two-car garage.”

When marketers combine a new brand with an existing brand, the brand extension can also be called a *sub-brand*, such as Hershey Kisses candy, Adobe Acrobat software, Toyota Camry automobiles, and Courtyard by Marriott hotels. The existing brand that gives birth to a brand extension or sub-brand is the *parent brand*. If the parent brand is already associated with multiple products through brand extensions, it can also be called a *master brand* or *family brand*.

Brand extensions are distinct from line extensions. Unlike brand extensions, in which a company stretches its brand to a product category with which it is not currently associated, in a **line extension**, the parent brand covers a new product within a product category it currently serves, such as with new flavors, forms, colors, ingredients, and package sizes. Dannon has introduced several types of Dannon yogurt line extensions through the years—Fruit on the Bottom, All Natural flavors, Danonino, and Light & Fit. As we have noted, in a brand extension, marketers use the parent brand to enter a different product category, such as Swiss Army watches.

Many firms have decided to leverage their most valuable asset by introducing a host of new products under their strongest brand names. Most new products—typically 80 percent to 90 percent in any one year—are brand extensions. Moreover, many of the most successful new products, such as Dunkin’ Donuts coffee, Progresso Light soups, and Hormel Compleats microwave meals, are brand extensions. Nevertheless, many new products are introduced each year as new brands.

Armani's three price tiers within its product lines help the company survive and prosper in good and bad times.
Source: Michael Kemp/Alamy Stock Photo

When to Extend a Brand? Marketers must judge each potential brand extension by how effectively it leverages existing brand equity from the parent brand, as well as by how effectively it contributes to the parent brand's equity. Crest Whitestrips leveraged the strong reputation of Crest in dental care to provide reassurance in the teeth-whitening arena, while also reinforcing its image of dental authority. Jewelry maker Bulgari has moved into hotels, restaurants, fragrances, chocolate, and skin care.

> **Armani** Armani has extended its brand from high-end Giorgio Armani and Giorgio Armani Privé to mid-range luxury with Emporio Armani and affordable luxury with Armani Jeans and Armani Exchange. Clear differentiation exists between these brand extensions, minimizing the potential for consumer confusion and brand cannibalization. Each also lives up to the core promise of the parent brand, reducing the chances of hurting the parent's image.

> **Ralph Lauren** Ralph Lauren has successfully marketed an aspirational luxury brand with wholesome all-American lifestyle imagery across a wide range of products. Besides clothing and fragrances, Lauren boutiques sell linens, candles, beds, couches, dishware, photo albums, and jewelry. Calvin Klein has adopted a similarly successful extension strategy, though with different lifestyle imagery.

Marketers should ask a number of questions when weighing the potential success of an extension.[69] *Does the parent brand have significant power? Is there a strong basis of fit? Will the extension have the optimal points of parity and points of difference? How can marketing programs enhance extension equity? What implications will the extension have for parent brand equity and profitability?*

Some of the key research insights on brand extensions are summarized as follows:[70]

- Successful brand extensions occur when the parent brand is seen as having favorable associations and there is a perception of fit between the parent brand and the extension product. This fit can involve product-related attributes and benefits, as well as attributes and benefits related to common usage situations or user types. For example, Ralph Lauren extended its brand from fashion apparel to perfume, furniture, and even paint.
- A brand that is seen as prototypical of a product category can be difficult to extend outside the category. For example, extending the Coca-Cola brand to fresh-squeezed juices might be challenging because of the prototypical nature of the brand in the carbonated cola category. Thus, brand associations that are positive in the original product category can become negative in the extension context. In addition, concrete attribute associations tend to be more difficult to extend than abstract benefit associations.
- Vertical extensions often require sub-branding strategies to prevent negative brand associations (in the case of upscale extensions) and brand dilution and product cannibalization (in the case of downscale extensions). For example, rather than using its core brand to launch a downscale product-line extension, Giorgio Armani introduced a sub-brand—Armani Exchange—which helped mitigate the likelihood of brand dilution and sales cannibalization.

Although Bic touted its $5 perfumes for men and women as extending Bic's heritage of convenience and affordable quality, the product extension was doomed to failure by its incongruity with consumers' image of the company.
Source: PATRICK KOVARIK/AFP/Getty Images

One major mistake in evaluating extension opportunities is failing to take *all* consumers' brand knowledge into account and focusing instead on one or a few brand associations as a potential basis of fit.[71] Bic offers a classic example of that mistake.

> **Bic** By emphasizing inexpensive, disposable products, French company Société Bic was able to create markets for nonrefillable ballpoint pens in the late 1950s, disposable cigarette lighters in the early 1970s, and disposable razors in the early 1980s. It unsuccessfully tried the same strategy to market Bic perfumes in the United States and Europe. The perfumes—"Nuit" and "Jour" for women and "Bic for Men" and "Bic Sport for Men"—were packaged in quarter-ounce glass spray bottles that looked like fat cigarette lighters and sold for $5 each. The products were displayed on racks at checkout counters throughout Bic's extensive distribution channels. At the time, a Bic spokeswoman described the new products as extensions of the Bic heritage—"high quality at affordable prices, convenient to purchase, and convenient to use." The brand extension was launched with a $20 million advertising and promotion campaign containing images of stylish people enjoying the perfume and using the tagline "Paris in Your Pocket." Nevertheless, Bic was unable to overcome its lack of cachet and negative image associations, and the extension was a failure.[72]

Advantages of Brand Extensions. Consumers form expectations about a new product based on what they know about the parent brand and the extent to which they feel this information is relevant. When Sony introduced a new personal computer tailored for multimedia applications, the VAIO, consumers may have felt comfortable with its anticipated performance because of their experience with and knowledge of other Sony products. Once the VAIO brand gained customer recognition, it was spun off from Sony, and it now operates as a stand-alone brand, with Sony maintaining a minority stake in the company as well as the trademark for the VAIO brand and logo.

By setting up positive expectations, extensions reduce risk. It also may be easier to convince retailers to stock and promote a brand extension because of anticipated increased customer demand. An introductory campaign for an extension doesn't need to create awareness of both the brand *and* the new product; it can concentrate on the new product itself.[73]

Extensions can thus reduce launch costs, which is important because establishing a major new brand name for a consumer packaged good in the U.S. marketplace can cost more than $100 million! Extensions also can avoid the difficulty—and expense—of coming up with a new name, thus allowing packaging and labeling efficiencies. Similar or identical packages and labels can lower production costs for extensions and, if coordinated properly, provide more prominence in the retail store via a "billboard" effect.[74] Stouffer's offers a variety of frozen entrées with identical orange packaging that increases their visibility when stocked together in the grocer's freezer. With a portfolio of brand variants within a product category, consumers who want a change can switch to a different product type without having to leave the brand family.

> **Coca-Cola** To break away from its traditional image and shift to health-focused trends, Coca-Cola decided to launch a range of energy drinks, for the first time using its own brand name. The new energy drink branded "Coca-Cola Energy" and "Coca-Cola Energy No Sugar" and made with naturally derived caffeine and guarana extract. This move puts the company's energy drinks in direct competition with Monster Energy, a brand partially owned and distributed by Coca-Cola. The new energy drink also faces an uphill battle trying to change consumers' perception of the

Coca-Cola brand, which has traditionally been associated with carbonated colas.[75]

Besides facilitating acceptance of new products, brand extensions can help to clarify the meaning of a brand and its core values or improve consumer loyalty to the company creating the extension. Through their brand extensions, Crayola means "colorful arts and crafts for kids" and Weight Watchers means "weight loss and maintenance."

A successful category extension may not only reinforce the parent brand and open up a new market but also facilitate even more new category extensions. The success of Apple's iPod and iTunes products opened up a new market, boosted sales of core Mac products, and paved the way for the launch of the iPhone and iPad.

Disadvantages of Brand Extensions. On the downside, line extensions may cause the brand name to be less strongly identified with any one product.[76] By linking its brand to mainstream food products such as mashed potatoes, powdered milk, soups, and beverages, Cadbury ran the risk of losing its more specific meaning as a chocolate and candy brand.[77]

Brand dilution occurs when consumers no longer associate a brand with a specific or highly similar set of products and start thinking less of the brand. Porsche found sales success with its Cayenne sport utility vehicle and Panamera four-door sedan, which accounted for three-quarters of its vehicle sales in 2012, but some critics felt the company was watering down its sports car image in the process. Porsche subsequently dialed up its on- and off-road test tracks, driving courses, and roadshow events to help customers get the adrenaline rush of driving a legendary Porsche 911.

If a firm launches extensions that consumers deem inappropriate, they may question the integrity of the brand or become confused or even frustrated: Which version of the product is "the right one" for them? Do they know the brand as well as they thought they did? Retailers reject many new products and brands because they don't have the shelf or display space for them. And the firm itself may become overwhelmed.

Even if sales of a brand extension are high and meet targets, the revenue may be coming from consumers switching to the extension from existing parent-brand offerings—in effect cannibalizing the parent brand. Within-brand shifts in sales may not necessarily be undesirable if they're a form of preemptive cannibalization. In other words, consumers who switched to a line extension might otherwise have switched to a competing brand instead. Tide laundry detergent maintains the same market share it had 50 years ago because of the sales contributions of its various line extensions—scented and unscented powder, pods, liquid, and other forms.

One easily overlooked disadvantage of brand extensions is that the firm forgoes the chance to create a new brand with its own unique image and equity. Consider the long-term financial advantages to Disney of having introduced more grown-up Touchstone films, to Levi's of creating casual Dockers pants, and to Black & Decker of introducing high-end DeWalt power tools.

MANAGING A BRAND CRISIS

Marketing managers must assume a brand crisis will someday arise. Chick-fil-A, BP, Domino's, and Toyota have all experienced damaging—and even potentially crippling—brand crises. Bank of America, JPMorgan, AIG, and other financial services firms have been rocked by scandals that significantly eroded investor trust. Repercussions include lost sales, reduced effectiveness of marketing activities, increased sensitivity to rivals' marketing activities, and reduced impact of the firm's marketing activities on competing brands. To protect the brand, key executives and sometimes even company founders might have to step down.[78]

In general, the stronger the brand and corporate image—especially for credibility and trustworthiness—the more likely the firm can weather the storm. Careful preparation and a well-managed crisis management program are also critical, however. As Johnson & Johnson's legendary and nearly flawless handling of the Tylenol product-tampering incident taught marketers everywhere, consumers must see the firm's response as both *swift* and *sincere*. They must immediately sense that the company truly cares.

The longer the firm takes to respond, the more likely consumers are to form negative impressions from unfavorable media coverage or word of mouth. Perhaps worse, they may find they don't like the brand after all and permanently switch. Getting in front of a problem with public relations, and perhaps even ads, can help avoid those problems.[79]

A classic example is Perrier—the one-time brand leader in the bottled water category. In 1994, Perrier was forced to halt production worldwide and recall all existing product when traces of benzene, a known carcinogen, were found in excessive quantities in its bottled water. Over the next weeks it offered several explanations, creating confusion and skepticism. Perhaps more damaging, the product was off shelves for more than three months. Despite an expensive relaunch featuring ads and promotions, the brand struggled to regain lost market share, and a full year later sales were less than half what they had been. With its key association with purity tarnished, Perrier had no other compelling points of difference. Consumers and retailers had found satisfactory substitutes, and the brand never recovered. Eventually it was taken over by Nestlé SA.[80]

The more sincere the firm's response—ideally a public acknowledgment of the impact on consumers and willingness to take necessary steps—the less likely it is that consumers will form negative attributions. When shards of glass were found in some jars of its baby food, Gerber tried to reassure the public that there were no problems in its manufacturing plants but adamantly refused to withdraw products from stores. After market share slumped from 66 percent to 52 percent within a couple of months, one company official admitted, "Not pulling our baby food off the shelf gave the appearance that we aren't a caring company."

If a problem exists, consumers need to know without a shadow of a doubt that the company has found the proper solution. One of the keys to Tylenol's recovery was Johnson & Johnson's introduction of triple tamper-proof packaging, successfully eliminating consumer worry that the product could ever be undetectably tampered with again.

Not all crises stem from a company's own actions. External crises such as economic recessions, natural disasters, and major geopolitical events can threaten the brand and require an appropriate brand response. For example, during the difficulties precipitated by the Covid-19 pandemic, many organizations looked to their marketers to retain customers and sustain brands. Marketing spending as a share of revenue rose to an all-time high of 11.4 percent in May 2020, up from 8.6 percent only four months earlier and topping the previous high of 9.3 percent six years previously.[81] Brand marketers were challenged like never before by this global predicament. The best marketers responded quickly and took bold action to protect brand health and customer loyalty. Consider Nike's response:

> **Nike** Based on prevailing market conditions and factors, Nike implemented a four-phase global response to Covid-19: Containment, Recovery, Normalization, and Return to Growth. The company used its innovation and marketing teams to help in the development of Personal Protective Equipment (PPE) for frontline doctors, nurses, and medical workers. It also reassured staff and employees that there would be pay continuity despite the closing of many of its retail outlets. For consumers, Nike launched an engaging "Play Inside" digital campaign, encouraging people to stay healthy and active while they sheltered at home. The firm also offered consumers the premium component of its popular exercise app free for 90 days. Continuing a selling shift that had been building in previous years, Nike drove even more of its business online with a proprietary e-commerce app.[82]

The pandemic forced all brands to rethink what and how they were selling. Already important, digital marketing became even more so. Social media as a percentage of the marketing budget rose from 13 percent in January 2020 to 23 percent in May 2020. Successful firms, however, employed a well-rounded digital strategy that also emphasized websites, apps, and e-commerce options. As sales rose for home-related products, some brands enjoyed unprecedented demand and growth. King Arthur Flour— known for its pure, organic, and high-quality product—found that many of its infrequent customers, who previously baked only a few times a year, began to bake a few times *a month*. With exploding demand and interest in its products, the employee-owned company began to sell smaller bags to reach more customers and brought in staff reinforcement to deal with the thousands of questions on its Baker's Hotline, as well as its booming social media interactions and web traffic.[83]

No easy solutions exist for successfully navigating a brand through such marketplace turbulence, but the following four guidelines may help firms that find themselves managing a brand through an economic, health, or other crisis.

- *Empathy*: Get even closer to consumers and customers. What are they thinking and feeling now, and what are they doing differently? Are these changes temporary or permanent?
- *Value*: Put forth the most compelling value proposition. Recognize the totality of value, and communicate all possible economic, functional, and psychological benefits and all possible savings in time, money, energy, and psychological wear-and-tear.
- *Strategy*: Be authentic and true to the brand promise. Find ways to develop programs that address short-term needs in a brand-faithful manner.
- *Innovation*: Engage in "Stop, Start, and Continue (But Improve)" exercises and activities. Take advantage of the opportunity to "clean house" to prune and focus brand and product offerings. Rethink budgets, go-to-market plans, and consumer targets.

Although a crisis can put a severe strain on even the strongest brands, the best brand marketers step up in these and many other ways to thoughtfully provide clear strategic direction and creatively find new ways to implement their plans.

LUXURY BRANDING

Luxury brands are one of the purest examples of the role of branding, because the brand and its image frequently offer key competitive advantages that create immense value for both the company and its customers. Marketers for luxury brands like Prada, Gucci, Cartier, and Louis Vuitton manage lucrative franchises that have endured for decades in what some believe is now a $300 billion industry.[84]

CHARACTERISTICS OF LUXURY BRANDS

Priced significantly higher than typical items in their categories, luxury brands for years were about social status and who a customer was—or perhaps wanted to be. Times have changed, and luxury in many developed countries has become more about style and substance, combining personal pleasure and self-expression.

A luxury shopper must feel he or she is getting something truly special. Thus, the common denominators of luxury brands are quality and uniqueness. A winning formula for many is craftsmanship, heritage, authenticity, and history (often critical to justifying a high price). Hermès, the French luxury leather-goods maker, sells its classic designs for hundreds or even thousands of dollars, "not because they are in fashion," as one writer put it, "but [because] they never go out of fashion."[85] Here is how several luxury brands have become enduring market successes:

> **Sub-Zero** Sub-Zero sells refrigerators that range from $2,000 for small, under-counter models to $15,000 and up for high-end models. The target is customers with high standards of performance and design who cherish their home and what they buy to furnish it. Sub-Zero extensively surveys this group, as well as the kitchen designers, architects, and retailers who recommend and sell its products.[86]

In keeping with its name, which denotes "the boss," Patrón, sold in numbered hand-blown decanters, has ascended to the top of the high-end tequila market that it essentially created.
Source: Serebral360/Stockimo/Alamy Stock Photo

Patrón Cofounded by Paul Mitchell hair care founder John Paul DeJoria, Patrón came about after a 1989 trip to a distillery in the small Mexican state of Jalisco. Named Patrón to convey "the boss, the cool guy," the smooth agave tequila comes in an elegant hand-blown decanter and is sold in individually numbered bottles for $45 or more. Patrón, which essentially created the high-end tequila market, has generated more than $600 million in retail sales, surpassing Jose Cuervo to become the world's largest tequila brand. In 2018, Patrón was acquired by Bacardi for $5.1 billion.[87]

> **Montblanc** The goal of Montblanc, whose products now range from pens to fragrances, is to be a strong luxury brand to as many classes of luxury customers as possible, while still retaining a prominent public image. The brand promise is that “Montblanc unites fine European craftsmanship with time-honoured designs, bringing pieces to life that emanate classic heritage and refined creation. Just as a soul remains long after its body is gone, our pieces are crafted to perform superbly and symbolize elegance for many lifetimes.” The company branched out from its origins in writing instruments into categories such as leather goods and timepieces, where it could leverage its brand power and its philosophy of manufacturing competence, highest quality, sustainable value, and creativity.[88]

Much of the growth in luxury brands in recent years has been geographic. China has overtaken the United States as the world’s largest luxury market. Although initially very “logo-driven” and interested in conspicuous brand signals, Chinese luxury consumers have become more conscious of quality and design, like luxury consumers in other parts of the world.

MANAGING LUXURY BRANDS

Luxury marketers have learned that luxury is not viewed the same way everywhere around the world. But in the end, luxury brand marketers have to remember they are often selling a dream, anchored in product quality, status, and prestige.[89]

Just like marketers in less expensive categories, those guiding the fortunes of luxury brands operate in a constantly evolving marketing environment. Globalization, new technologies, shifting consumer cultures, and other forces require them to be skillful and adept at their brand stewardship. To ensure success in such a dynamic environment, marketers must adhere to the general principles that apply in managing luxury brands. Some of the key principles of luxury brand management are as follows:[90]

Offerings in Montblanc's expanding product line combine exceptional craftsmanship with refined, classic designs that promise its customers superb and elegant performance for generations.
Source: Marek Slusarczyk/Alamy Stock Photo

- All marketing decisions associated with luxury brands—product, service, pricing, sales incentives, communication, and distribution—must be aligned to ensure that purchase and consumption experiences are consistent with the image of the brand.
- Luxury branding typically includes the creation of a premium, aspirational image.
- Luxury brands frequently span categories, and as a result, their competitors are often defined broadly.
- Luxury brands must protect their identity and aggressively combat trademark infringement and counterfeits.
- All attributes of luxury brands must be aligned with the image of the brand. This includes brand identifiers such as names, logos, symbols, and packaging, as well as brand associations such as personalities, events, countries, and other entities.

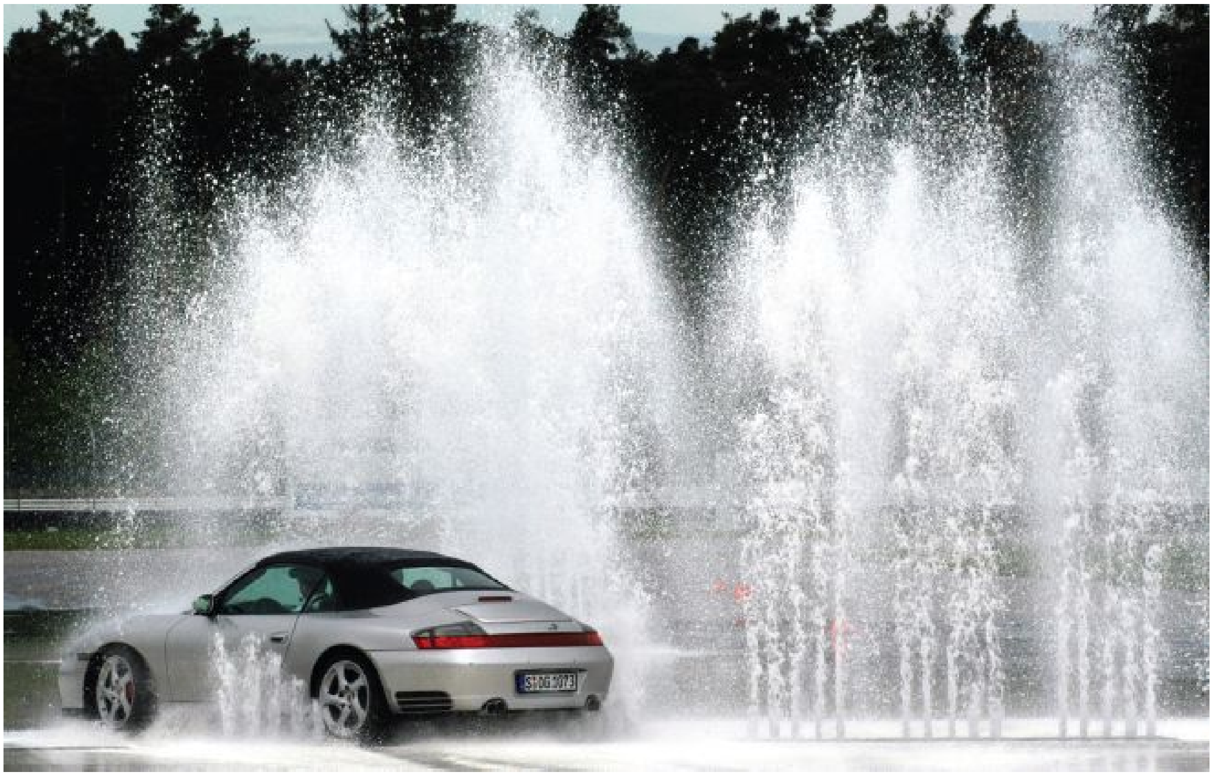
One trend for luxury brands is to wrap personal experiences around the products. Top-end fashion retailers are offering such experiences alongside their wares, expecting that customers who have visited a workshop or met the designer will feel closer to the brand. Gucci invites its biggest spenders to fashion shows, equestrian events, and the Cannes Film Festival.

Porsche Sport Driving Schools and Experience Centers in Germany, the United States, and other parts of the world allow Porsche drivers to “train their driving skills and enjoy the all-out pleasure of driving, on-road, off-road, or on snow and ice.” To this end, Porsche opened a state-of-the-art facility in southern California that features 45-degree off-road inclines and a simulated ice hill.

In an increasingly connected world, some luxury marketers have struggled to find the appropriate online selling and communication strategies for their brand. Some fashion brands have gone beyond glossy magazine spreads to listening to and communicating with consumers through Facebook, Twitter, Instagram, WeChat, and other digital and social media channels. E-commerce has also taken hold for some luxury brands. Sites such as Net-a-Porter (now Yoox Net-a-Porter), Gilt Groupe, and Farfetch now offer new ways for fashion brands to move high-end goods.

Ultimately, luxury marketers are learning that success for them, and indeed for all marketers, depends on getting the right balance of classic and contemporary imagery, and of continuity and change, in marketing programs and activities.

Given the lengths to which they go to pamper customers in their stores—with doormen, glasses of champagne, and extravagant surroundings—luxury brands have had to work hard to provide a high-quality digital experience. They are increasingly blending the two. Gucci partnered with Samsung Electronics to create an immersive in-store experience for its timepieces and jewelry that combines physical and mobile commerce. Stores feature transparent displays that show images on the screen without obscuring the products behind them and a digital shop-in-shop section where customers can use tablet computers to browse. To reach affluent customers who work long hours and have little time to shop, many high-end fashion brands such as Dior, Louis Vuitton, and Fendi have unveiled e-commerce sites that allow customers to research items before visiting a store—and offer a means to combat fakes sold online.



Porsche Sport Driving Schools and Experience Centers in Germany, the United States, and elsewhere encourage Porsche drivers to rev up their road skills and capture the fun of putting vehicles through their paces in various conditions.
Source: Agencja Fotograficzna Caro/Alamy Stock Photo

marketing INSIGHT

Constructing a Brand Positioning Bull's-Eye

The key to developing a meaningful brand positioning is using a systematic approach to design the different aspects of the brand in a way that is relevant and meaningful to the customers the firm is targeting. Such a systematic approach is offered by the Bull's-Eye Framework. We discuss this framework in the context of a hypothetical Starbucks example illustrated in Figure 10.3.

The inner circle of the bull’s-eye is the brand mantra defining the essence of the brand and the core brand promise. It guides the actions of company employees and collaborators by ensuring that they have a clear understanding of what the brand should represent to consumers. The brand mantra is at the heart of the bull’s-eye and is the guiding principle for all other aspects of brand positioning. One could define the Starbucks brand mantra as “a rich, rewarding coffee experience.” Although Starbucks has extended its offerings to include non-coffee drinks, snacks, and even wine, coffee and the experience of its consumption are at the core of the brand. “Rich” and “rewarding” capture both the physical and the psychological aspects of the ideal Starbucks experience.

The circle surrounding the one that contains the brand mantra encompasses the brand’s points of difference and points of parity that make up its positioning. Points of parity and points of difference should be made as specific as possible without being too narrow, and they should be constructed in terms of the benefits a customer can actually derive from the product or service.

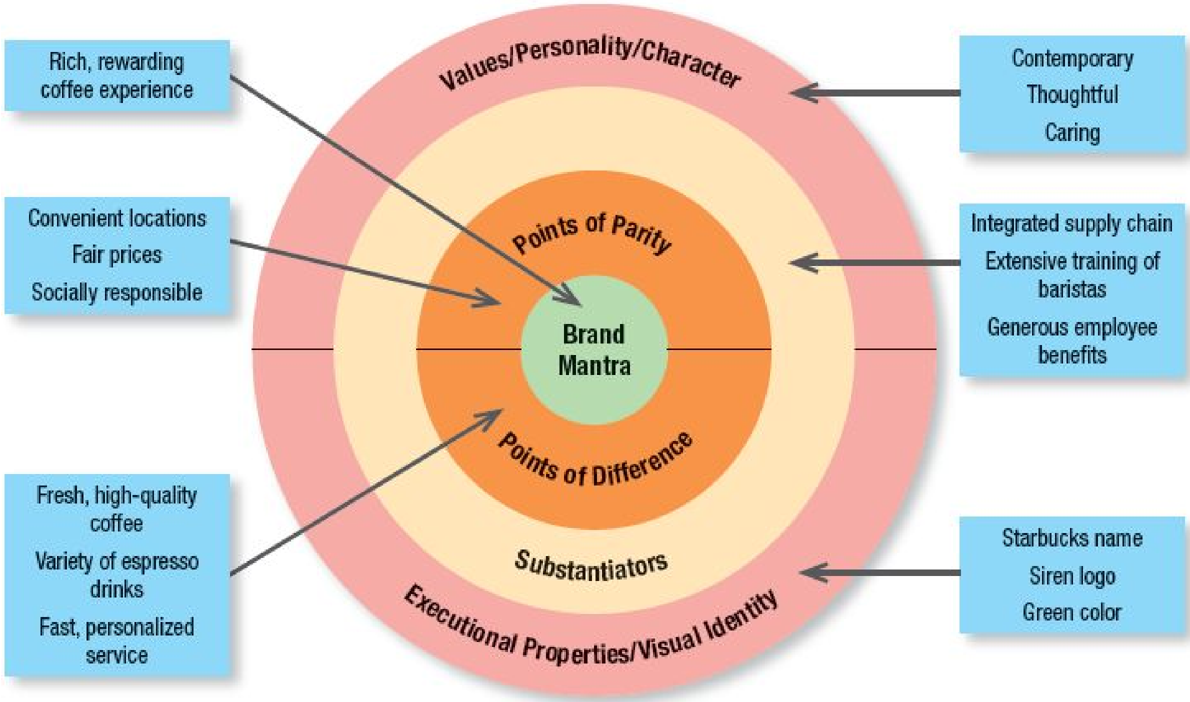


FIGURE 10.3
A Hypothetical Example of a Starbucks Brand Positioning Bull's-Eye

Different competitors will suggest different points of difference and points of parity. With competitors such as mom-and-pop coffee shops, fast-food restaurants like McDonald's, and at-home coffee brands in mind, benefits such as offering fresh, high-quality coffee, providing a variety of coffee drinks, and delivering fast, personalized service can be viewed as potential points of difference for Starbucks, whereas fair prices, the availability of convenient locations, and social responsibility can be viewed as important points of parity for the brand.

In the next concentric circle are the substantiators, or reasons to believe—attributes or benefits that provide factual or demonstrable support for the points of parity and points of difference. Substantiators are also referred to as reasons to believe because they are sometimes used in a company's communication campaign to provide customers with facts that validate the company's brand messaging. Starbucks's integrated supply chain, extensive training of baristas, and generous employee benefits program are among the factors that enable it to substantiate its positioning.

Finally, the outer circle contains two additional relevant aspect of brand positioning. The first involves the brand values, personality, or character—intangible associations evoked by words and actions that help to establish the tone of the brand. In the case of Starbucks, one might think of the brand as contemporary, thoughtful, and caring. The second aspect involves executional properties and visual identity—more tangible components of the brand that affect the way customers perceive it. For Starbucks this includes its brand name, the siren logo, and the dark green and white color scheme characterizing the brand's visual appearance.

SUMMARY

1. A brand is a name, term, sign, symbol, design, or some combination of these elements that is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors. The ultimate purpose of the brand is to create, for consumers, the company, and its collaborators, value that goes beyond the value created by the product and service aspects of the offering.
2. Brands are valuable intangible assets that offer a number of benefits to customers and firms and that need to be managed carefully.
3. The value created by a brand is captured by two key concepts: brand equity and brand power. Brand equity reflects the premium that is placed on a company's valuation because of its ownership of the brand. It encompasses the net present value of the total financial returns that the brand will generate over its lifetime. Brand power reflects the degree to which the brand influences the way consumers think, feel, and act with respect to the brand. It is thus the differential effect that brand knowledge has on consumer response to the marketing of that product or service.
4. Brand elements are devices that identify and differentiate the brand. Common brand elements include brand names, logos, symbols, mottos, and packaging. Effective brand elements are memorable, meaningful, likable, transferable, adaptable, and protectable.
5. To build strong brands, marketers link brands to other information in memory that conveys meaning to consumers. These "secondary" brand associations link the brand to sources such as the company itself, to

countries or other geographic regions, and to channels of distribution, as well as to other brands, characters, spokespeople, sporting or cultural events, or other third-party sources.

6. Brand hierarchy reflects the way a company's brands are related to a company's products and services, as well as to one another. Developing a meaningful brand hierarchy is particularly important for companies that are managing diverse brand portfolios. The hallmark of an optimal brand portfolio is the ability of each brand to maximize equity in combination with all the other brands in the portfolio. Three general brand-portfolio strategies are house-of-brands, branded-house, and sub-branding strategies.
7. Marketers often combine their brands with brands from other companies to create superior market value. Cobranding involves two or more brands marketed together. Ingredient branding is a special case of cobranding involving materials, components, or parts that are necessarily contained within other branded products.
8. Brands evolve over time. The two most common ways in which brands evolve are through brand repositioning and through brand extensions. Brand repositioning involves changing the meaning of an existing brand without necessarily associating it with new products or services. In contrast, brand extension involves using an established brand to introduce a new product in a different category or price tier.
9. Brands play a key role in designing luxury offerings, because the brand and its image are often key competitive advantages that create significant value for both the company and its customers. All marketing decisions associated with luxury brands—product, service, pricing, sales incentives, communication, and distribution—must be aligned to ensure that purchase and consumption experiences are consistent with the image of the brand.

marketing SPOTINSIGHT

LOUIS VUITTON

Louis Vuitton's roots go back to when he set out from his small village, Anchay, to Paris in 1837 to begin his trunk-making business. Training as an apprentice, under master trunk maker Monsieur Marechal at the age of 16, Louis Vuitton learned the skills needed to craft quality luggage on his own. After his apprenticeship, Louis Vuitton opened his first store in Paris in 1854. Word of Louis Vuitton's skill and craftsmanship spread quickly. Louis Vuitton trunks were notable for being waterproof and stackable (because of their rectangular design). By the early 1860s, his trunks had become so popular that he was able to open the world's largest luggage store in the heart of Paris.

When Napoleon III's wife, Empress Eugenie, hired Louis Vuitton to be her personal luggage maker, his trunks started becoming popular among Parisian elites. As Louis Vuitton customers traveled abroad and showed off their luggage, demand for Louis Vuitton products skyrocketed. The Louis Vuitton brand became a symbol of luxury as his clientele expanded to some of the most influential figures of the 19th century. Royalty, industry giants, and art buffs all began traveling with Vuitton, including the Duke and Duchess of Windsor, J. P. Morgan, and Henri Matisse.

Source: Images & Stories/Alamy Stock Photo

Attracted by the increasing popularity of Louis Vuitton luggage, many imitators entered the market and began producing lookalike models. To make his creations distinct, Louis Vuitton designed the famous two-tone brown checkered pattern (called the Damier canvas) in 1888. Four years later, Louis Vuitton died and his son, Georges, took over the company.

Georges Vuitton took Louis Vuitton global when he purchased a spot at the 1893 Chicago World's Fair. In the same year, Georges toured across America, hitting cities such as New York City and Philadelphia. His exhibition efforts resulted in department stores beginning to carry Louis Vuitton luggage, which established Louis Vuitton internationally. In 1986, Georges Vuitton introduced LV's signature monogram, an interlocked L and V, which would eventually become the most iconic symbol of Louis Vuitton products.

In the early 20th century, Louis Vuitton continued expanding across the world and added new bag styles to accompany its best-selling trunks. When airplanes became a more conventional way to travel in the mid-20th century, the demand for Louis Vuitton bags and trunks became even greater as famous figures traveled more often. As women entered the workforce, Louis Vuitton introduced handbags and purses, which quickly became symbols of high class and taste in the workplace. This marked the start of the company's transition into a luxury fashion brand. Louis Vuitton expanded its product line to include male suitcases and wallets shortly after.

The luxury status and financial success of Louis Vuitton throughout the 20th century caught the eye of businessman Bernard Arnault who, through a series of mergers and acquisitions turned it into the world's most valuable luxury goods company. As part of this expansion strategy, in 1987, Louis Vuitton merged with Moët et Chandon and Hennessy, leading manufacturers of champagne and cognac, respectively, and created LVMH.

Louis Vuitton began selling luxury clothing in 1997 when the company hired Marc Jacobs, one of the world's best-known fashion designers at the time. Jacobs applied the signature Damier and Monogram designs to *prêt-a-porter* (ready to wear) clothing lines, along with belts and other accessories. Through frequent collaborations with celebrities and fashion icons, Louis Vuitton's clothing and accessories were embraced by Hollywood and pop culture stars all over the world. With these new changes, LVMH became the world's largest luxury conglomerate.

Over the years, Louis Vuitton has employed many different strategies to maintain its luxury brand status. Louis Vuitton does not advertise sales or offer sales promotions. Its pricing strategy reflects the concept that owning an LV product is a true luxury. When Louis Vuitton goods fail to sell, the company discontinues the item line. Excess inventory is burned to stop products from being stolen or sold at a lower price. Prices are kept high because customers are willing to pay a premium for the status associated with owning a Louis Vuitton product.

Louis Vuitton is also careful not to dilute its brand through excessive communications. This presents the company with the challenge of trying to sell as much as possible, while maintaining an aura of exclusivity and luxury. Louis Vuitton doesn't use television for mass advertising. Instead, it advertises on billboards and in fashion magazines featuring high-profile imagery displaying the prestige of owning an LV product. Over the years, Louis Vuitton has continued using supermodels and celebrities (such as Madonna, Angelina Jolie, and Jennifer Lopez) as brand ambassadors. It has also sponsored its own international regatta, the Louis Vuitton Cup, to promote its products.

Louis Vuitton has built the world's most valuable luxury brand by maintaining a fine balance of timeless design and fresh products. The legendary LV monogram appears on all its products, whether luggage, a handbag, or a belt. By modifying its product line to fit the needs of its elite customers while preserving its iconic designs, Louis Vuitton has continued offering products that are synonymous with luxury, wealth, and fashion.[91]

Questions

1. What are the key aspects of the Louis Vuitton brand? How does it create value for customers?
2. How does an exclusive brand such as Louis Vuitton grow and sell more, while remaining fresh and retaining its cachet?

3. Is the counterfeiting of Louis Vuitton products always a negative? Are there any circumstances in which counterfeiting can be seen as having some positive aspects?

marketing SPOTINSIGHT

MUJI

MUJI was founded in 1980 as a private label for Japanese supermarket The Seiyu. At the time, foreign brands were becoming increasingly popular as the economy grew. As a result, cheaper, low-quality imitation goods became attractive alternatives for budget-conscious consumers. MUJI goods were created to fill the growing market for quality goods that were affordable and long-lasting. MUJI started with 9 household and 31 food products, which were advertised with the slogan "lower priced for a reason." Products were packaged in simple materials such as clear cellophane and brown paper. Over the next couple of years, MUJI expanded its product line to include stationery, clothing, kitchen appliances, and home furnishings. It also began opening its own stores across Japan.

The company's full name, Mujirushi Ryohin, means "no-brand quality goods," a design philosophy that reflects the simplicity and functionality of its products. MUJI claims that its products are "brandless," which means that they do not have logos or distinct markings. They are designed not to stand out, but rather to look minimalist—as MUJI describes them, to be just "enough" to deliver the one function they were designed for. This can be seen in MUJI socks, which are made with a 90-degree angle rather than the normal 120. The right angle helps with heel slippage when the socks are worn inside boots and increases overall comfort. MUJI intends its products to be simple in both function and style, so they can be mixed and matched to suit any user's needs and lifestyle.

Source: Dennis Gilbert-VIEW/Alamy Stock Photo

MUJI follows three core principles to create quality, minimalist products that anyone can afford. First, MUJI carefully selects the materials used to manufacture its products. The company has been known to use industrial materials that it can buy in bulk at low cost. This concept started with the food that MUJI carried in the early 1980s; MUJI sold U-shaped pasta after buying the ends of spaghetti cut off after manufacturing, as well as canned salmon made from undesirable parts of the fish. Second, MUJI streamlines its manufacturing process; products typically use natural or unfinished materials that don't have to be painted or dyed. This not only makes MUJI products uniform in color and material but also creates less waste and reduces costs. Third, MUJI uses bulk packaging for its products, placing them in plain containers. Besides being in line with MUJI's "brandless" philosophy, the minimalist packaging saves resources and keeps the company environmentally friendly.

MUJI's "no brand" philosophy can also be seen in its promotional strategy. The company keeps its advertising budget modest by relying on word of mouth to spread awareness. Instead of running huge advertising campaigns on TV and print media, MUJI prefers to reach people through press and in-store events. Resources are invested in the salespeople employed in its physical locations. Locally hired store managers are sent to MUJI offices in Tokyo for training on how to sell MUJI products. By ensuring that customers receive a good in-store experience, MUJI has fostered sustainable brand awareness. And by keeping marketing costs low, MUJI can keep its prices low and channel more resources into product development.

By promoting itself as the "no brand" brand, MUJI has created a niche that has allowed the company to successfully expand globally. Even though the company offers over 7,000 items, MUJI does not customize its products for particular countries and regions. Rather, MUJI products are designed to fit into households all over the world. Each MUJI product is built for a specific purpose, so it is simple to use. MUJI also employs the same style of store design, layout, and merchandising for all its locations around the world. The uniformity in both retail location and products cuts the costs of regional adaptation. MUJI has stuck to a policy of adding more stores in new countries only when existing ones are running profitably, which has kept profits high and growth stable. Overseas business locations account for the majority of MUJI's stores, with East Asia accounting for the largest share.

MUJI's insistence that its brand values permeate all aspects of the company has contributed to a strong, consistent brand and a sustainable business model. The "brandless" design of its products creates a unique aesthetic: Although MUJI intends its products to look indistinct, they are at the same time recognizable among heavily branded products. Adherence to its three core principles keeps the price of MUJI products low. Combining these advantages with the products' simplicity in function and form, MUJI has created a winning combination for global expansion. Since its first store opened in 1983, MUJI has added over 1,000 locations worldwide.[92]

Questions

1. What are the key drivers of MUJI's market success? What are MUJI's points of parity and points of difference relative to the competition?
2. What are the pros and cons of using the "no brand" strategy?

3. How should MUJI grow its brand?