POLITECNICO DI MILANO

Marketing Mix

Branding

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Agenda

1. Brand
2. Brand positioning
3. Brand Portfolio and Architecture

1. Brand

What is a Brand

- It’s a mark
- Different forms: name, logo, symbol, design,or combination of those
- Set of associations or known descriptions
- Stored in people’s mind
- Purpose: to differentiate

Holt (2003): “Brand is perceptual entity, rooted in reality”

AMA definition

Brand

*"A brand is a brand **name**, a **term**, a **symbol**, a **design** or a combination of these, that aims at **identifying** the products or services of a company, or of a group of companies and at **differentiating** them from those of competitors"*

Which connection with the positioning process?

What is the Brand role?

1. Identify the product/service
2. Quality Image of the product/service
3. Quick reference for the customer
4. To bring more revenue to the company
5. To leverage different products or services
6. To reflect personality
7. As guarantee for the customers

The principle of cognitive economy: the brand's power

PRINCIPLE OF SCARCITY ——————> **PRINCIPLE OF COGNITIVE ECONOMY**

Cognitive economy states that because customers' information processing capacity is finite, **they will often trade off accuracy of results and optimal outcomes for efficiency of information storage and processing**

Brand trust Delegation

↓

BRAND PROMISE

In a world of practically infinite choices, consumers gravitate toward a brand or product they trust to deliver on its promises

The importance of the brand

The importance of the brand is defined by differ phenomena

Hyper-competitive markets

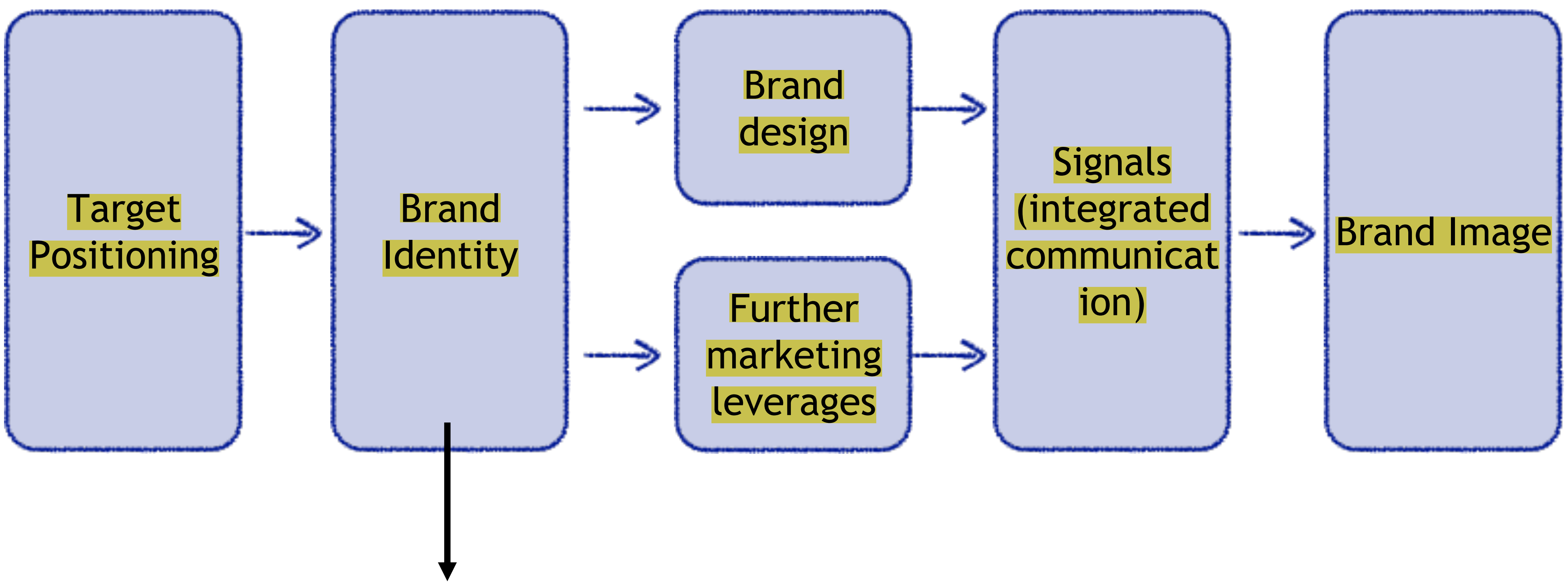
- Focus on consumers' loyalty
- Create a clear and coherent value proposition to be transferred to the market

The effects on the competitiveness

"Brand-guided companies outperform their rivals, thus achieving above-industry average results" *(Booz Allen Hamilton, 2005)*

"If you are not a brand, you are a commodity. Then prices is everything and the low-cost producers is the only winner" (Philip Kotler, 2004)

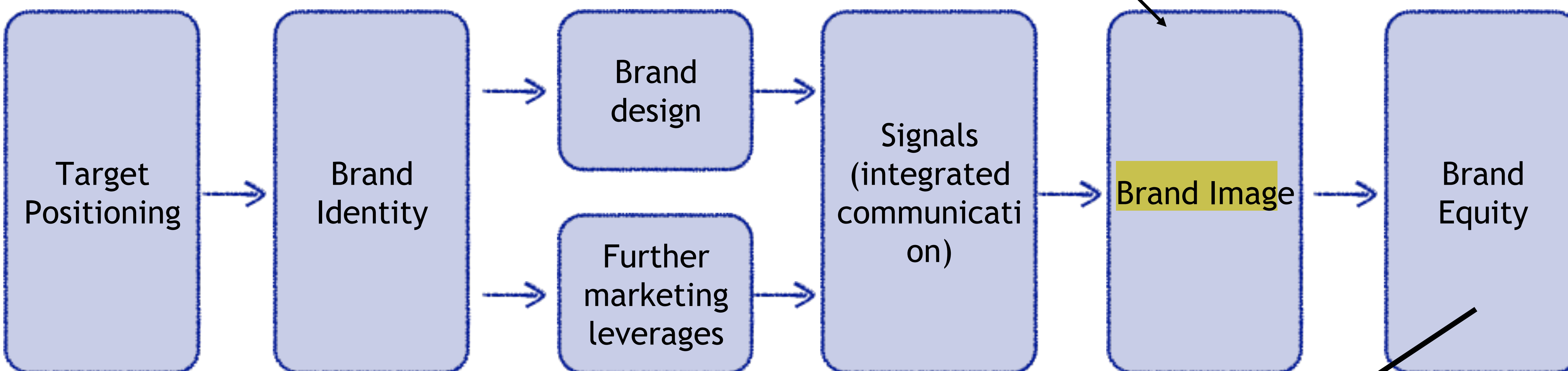
How to build a brand?



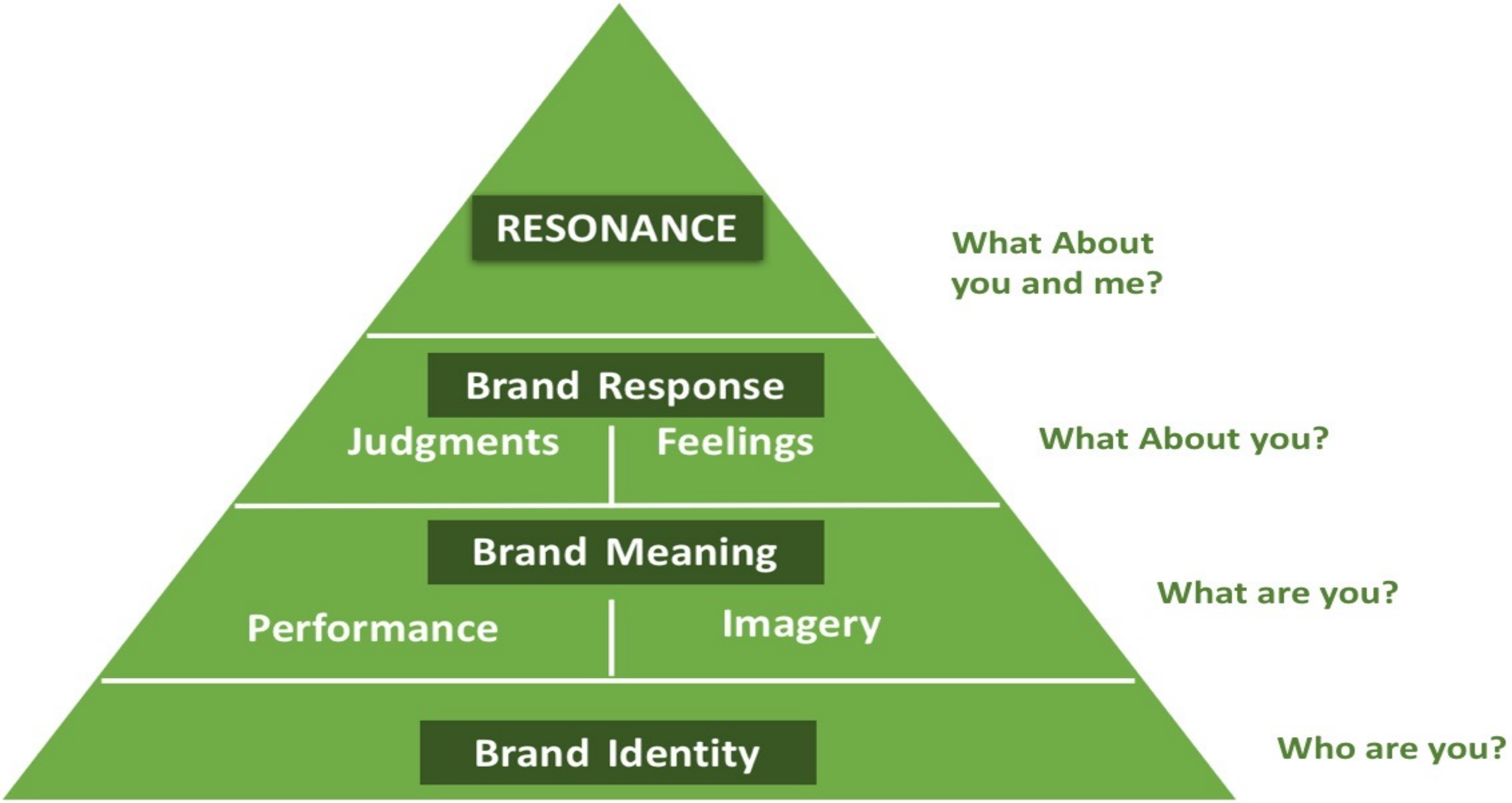
- **Brand Identity :What the firm wants from the brand**
- Its value
- The mental associations linked to the brand
- The firm's promise to its customers

How to built a brand?

what is perceived from a brand by customers and all the stakeholders.



*The set of **associations** and **behaviors** on the part of the brand's **customers**, **channel members**, and **parent corporation** that permits the brand to earn **greater volume** or **greater margins** than it could without the brand name and that gives the brand a strong, **sustainable** and **differentiated advantage** over competitors".* (Marketing Science Institute)



Keller's Brand Equity Model – CBBE Model

Brand Equity

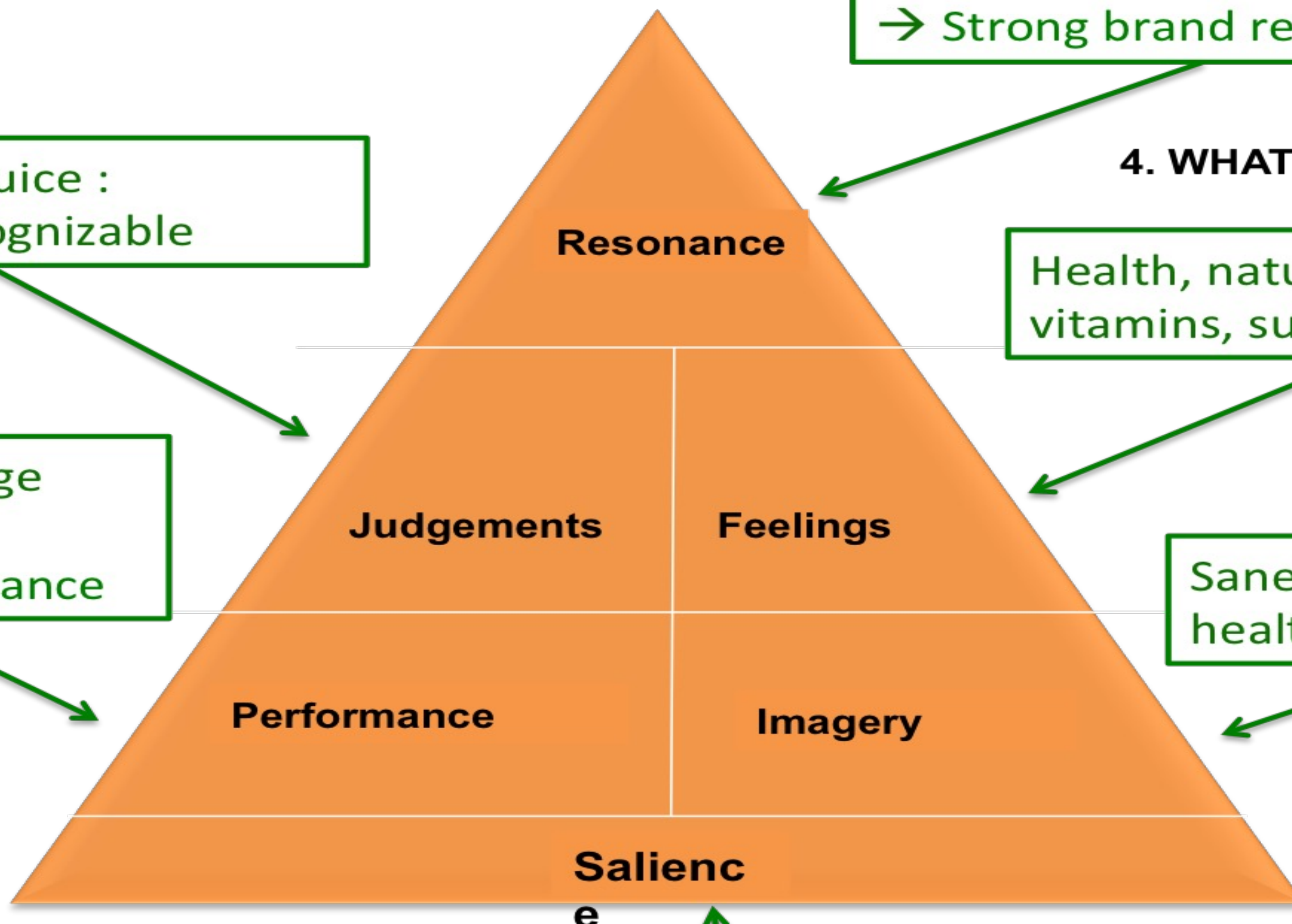
Brand Resonance Pyramid

One of the most famous orange juices + loyal customer
→ Strong brand resonance

4. WHAT ABOUT YOU AND ME ?

Quality orange juice :
Bottle/Logo recognizable

Health, nature, freshness, vitamins, sun(Florida)



3. WHAT ABOUT YOU ?

100% pure orange juice
→ High performance

Sane image: good for health. Family

2. WHAT ARE YOU ?

1. WHO ARE YOU ?

High recognition on orange juice market : well-known brand
→ High brand awareness : strong image

Benefits of Brand Equity

- Higher prices, margins
- Channel power
- Additional retail shelf space
- Reduces customer switching
- Prevents erosion of market share

Measuring Brand Equity

Brand metrics measure return on branding investments.

- **Attitudinal measures**
  - **Awareness-**the extent to which consumers are familiar with the qualities or image of a particular brand
  - **Recall** -tested by asking questions such as "name as many smartphone models as possible"
  - **Recognition -**the extent to which a consumer can correctly identify a particular product or service just by viewing the product or service's logo, tag line, packaging or advertising campaign
  - **Brand Image -** the perception of your **brand** by consumers.

Brand value

Brand value Interbrand 2014. And today?- Live

2014 Rank	Brand	Region/Country	Sector	Brand Value	Change in Brand Value
01	Apple	United States	Technology	118,863 $m	+21%
02	Google	United States	Technology	107,439 $m	+15%
03	Coca-Cola	United States	Beverages	81,563 $m	+3%
04	IBM	United States	Business Services	72,244 $m	-8%
05	Microsoft	United States	Technology	61,154 $m	+3%
06	GE	United States	Diversified	45,480 $m	-3%
07	SAMSUNG	South Korea	Technology	45,462 $m	+15%
08	TOYOTA	Japan	Automotive	42,392 $m	+20%
09	McDonald's	United States	Restaurants	42,254 $m	+1%
10	Mercedes-Benz	Germany	Automotive	34,338 $m	+8%

www.interbrand.com/

Begins with understanding why consumers buy a brand.

- Where does your brand stand now?
- What are your objectives?
- What are your brand's Strengths? Weaknesses?
- Which opportunities should be pursued first?
- Where are the pitfalls?

www.interbrand.com/

Mc Donald brand equity..?

Food tasting experiment

VS

Brand positioning

- Phase 1 - Defining a competitive frame
  - Targeting
  - Identify the main competitors
- Phase 2 - Defining points of parity (POP) and points of difference (POD)
  - How the company is different to competitors (POD)
  - How the company is similar to competitors (POP)

Defining the competitive frame: the playing field and the competition

Who are your competitors?

Are they the companies that most often pitch for business alongside yours?

Are they the brands that sit beside yours on the shelf?

Are they the offerings that appear near your brand on search-page rank?

- Instead of asking which brands you consider your competitors, ask which brands the customer considers before making a choice
- The list inside the customer's mind is more relevant and indicative of your true competition than the one prepared by your own analysis

Defining points of parity and points of difference: POP

Which types of POP exist?

Catergory POP

Associations and features perceived as **necessary** for a brand to be an alternative within a category

E.g.: if a bank does not offer accounts, credit cards, ATM, cheques, etc. it is not considered as a real bank

Competitive POP

Associations and features introduced to neutralize competitors' POD

E.g.: merchandising in snacks

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Defining points of parity and points of difference: POD

UPSTREAM POINT OF DIFFERENCE

Companies seeking a wrinkle to exploit in the upstream tend to home in on advantages such as **new products, technologies, features, low-cost sources of supply, and efficient production processes**

DOWNSTREAM POINT OF DIFFERENCE

Downstream sources of competitive advantages reside in the **firm's knowledge of**, and her links with, her **customer base and their knowledge of her.**

Brand positioning

Objective

- “Even out” the associations in which competitors create a competitive advantage (POP)
- “Win” through POD

Let’s define POP and POD for a female perfume

Possible POP

- *Pleasant flavour*
- *Long lasting flavour*
- *Expression of self personality*

Possible POD

- *Design*
- *Legacy, tradition, myth*
- *Testimonials*

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Building a myth – Chanel n. 5

- Coco Chanel asked Ernest Beaux 6 fragrances
- These perfumes were labeled No. 1, No. 2, etc. until No. 6
- Coco Chanel picked the 5th
- *“I want to provide women with a synthetic perfume"*
  “I mean synthetic, as a dress, something created. I do not want a rose perfume, I want a composition, a blend” (Gabrielle Chanel)
- N°5 was the first perfume to use flower aldehyde top notes

POP and POD: 1921

POP

- Pleasant flavour

POD

- Revolutionary composition
- Long lasting (fixing principles)
- Synthetic aldehydes as top note

Which POP & POD in 2010?

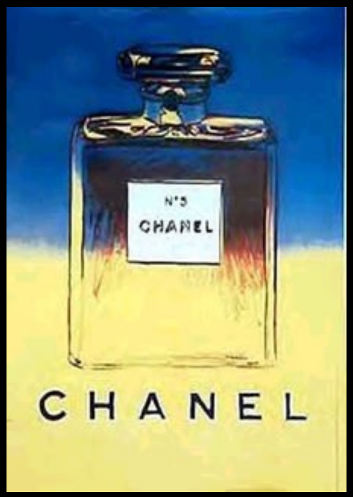
Most 1921 POD have become POP

- Revolutionary composition
- Long lasting (fixing principles)
- Synthetic aldehydes as top note

Brand positioning

I Chanel N°5 POD in 2012

- Myth
- Outstanding artist
- Testimonials
- Marketing campaigns



Branding & brand positioning

And then…

Managing brand portfolio

Brand portfolio and architecture

-“Brand portfolio” is both owned brands and brands linked through alliances, which are considered as a team of brands working together, each with assigned roles to enable and support business strategies- Acker

What does “Brand Architecture” mean?

- *Brand architecture is a structure of all brands that a company has. The structure shows relationship between brands and reflects the brand strategy of the company.*

A brand architecture defines:

- *The different “brand groups” within the organization*
- *The way the corporate brand is related to other brands and how synergies are created among them*

Brand portfolio and architecture

Managing a brand portfolio means:

- to decide the number of brands
- to define each brand role into the portfolio
- to define relations among brands

Armani transforms its brand in a “Lifestyle brand”:

→ Reinforce image of a lifestyle provider

→ Represents designer philosophy in each piece

- Women’s fashion
- Men’s fashion
- Children’s fashion
- Jewelery
- Whatches
- Eyewear
- Beauty
- Home
- Services
- Others

Brand portfolio and architecture

Managing a brand portfolio impacts on:

- **Resources**: R&D’s & marketing’s
Indentifying the brands to be focused on

- **Efficiency:** economies of scale & scope
- **Growth**: defining priorities (markets to be focused on)

- **Leverage**: exploiting the brand extension leverage

Types of brand relationships

- Branded house
- Sub brands
- Endorsed brands
- House of brands

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Branded house

- A single identity that encompasses all products (example: Apple, Samsung, Siemens)

- Brand strategy implications:

– Advantages: requires fewer resources, minimize misunderstanding, easier alignment

– Disadvantages: inability to appeal diverse consumer segments, generic brand campaign which might not be memorable, creativity is hindered, consequence of failure is larger

Sub brands

- A strong brand at a level under the master brand (i.e. a sub brand). Example: Nike Air Jordan, Lenovo Thinkpad , Fiat 500

Brand strategy implications:

– Advantages: both brands (master and sub brands) give each other recognition and create new associations that can help the market's understanding of both brands, helps growing market share and shareholder benefits, greater loyalty from distribution partners

– Disadvantages: complexity and expenses are added to marketing communication, may dilute or confuse master brand, complex distribution strategy, create a single point of attack for competitors.

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- Endorsed brands

- Independent brand, which is overtly endorsed by a master brand (example: Polo by Ralph Lauren, Novotel by Accor Group, Taillefine by Danon etc)

Brand strategy implications:

– Advantages: provide credibility for the endorsed brands, endorsed brand benefits from the master brand’s reputation, can break into competitor’s territory

– Disadvantages: can be expensive, too many endorsement may signal weak sub-brands, greater consequences of failure

- House of brands

- • Multiple strong brands housed in a deemphasized, weak or unknown corporate entity (example: Procter & Gamble, Kao etc) Brand strategy implications:

– Advantages: each brand can maximize impact on market or niches, individual brand can be specified to fit a target market, increase variations of new revenue streams, more creativity and talents

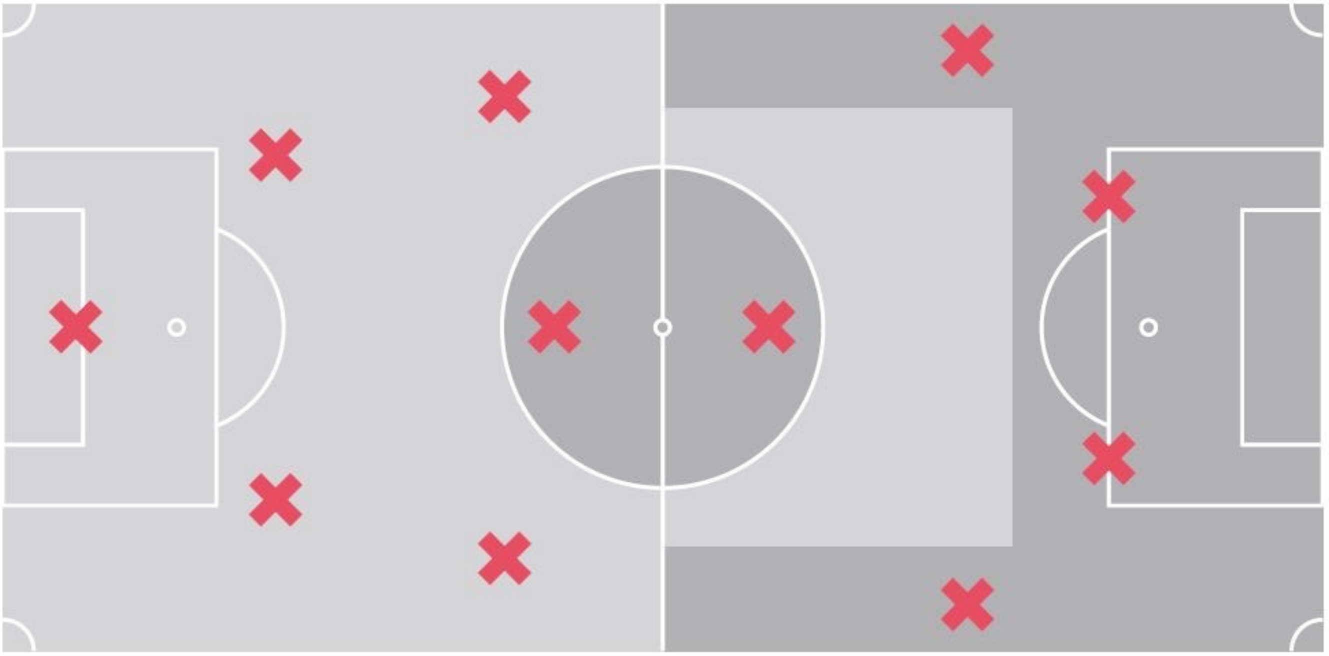
– Disadvantages: little or no leverage can be used with the parent association, more expensive, creating internal rivalries, hard to unify customer loyalty, confusing image (may not be aligned perfectly), greater consequences of failure

Brand portfolio and architecture

The ideal portfolio?

The football team metaphor….**Not often true!!!!**

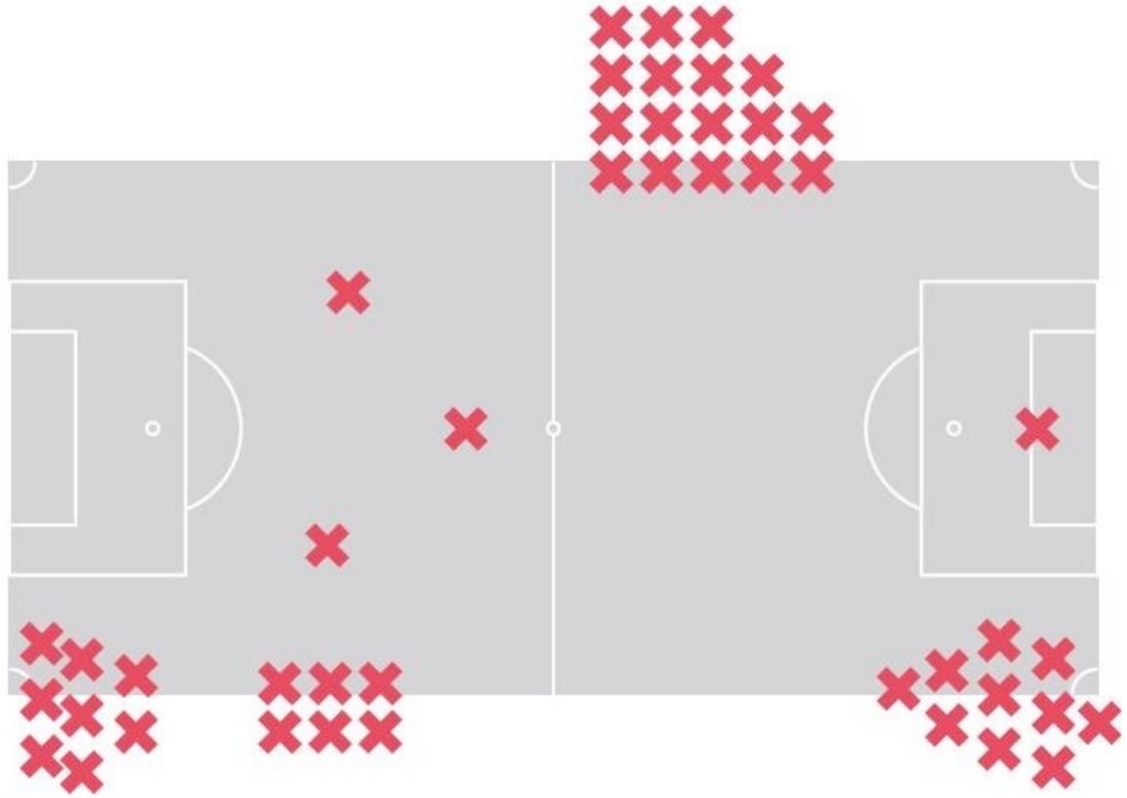
- Each brand covers its own area, without too much overlapping
- Each player, with its specific role, contributes to the whole team result



Brand portfolio and architecture

A typical portfolio

- Lots of overlapping situations: cannibalization, entropy
- Important areas not covered



Building of a luxury empire

LVMH Group was born from a merger in 1987 between Moet Hennessy and Louis Vuitton. At that time the conglomerate grouped together the champagne and cognac houses, fragrance company Parfums Christian Dior, and Loewe, owned by Moet Hennessy and Parfums Givenchy and Louis Vuitton fashions of the Louis Vuitton group.

From 1988 to 1997 the group laid the foundation of its empire by acquiring new brands to its portfolio. It was the time of the fashion house Givenchy, champagne maker Pommery, fashion designer Berluti and then Kenzo, perfume maker Guerlain, jeweler Fred, and so forth.

From 1997 to 2001 the group expanded to new sectors (retailing) and consolidated its position in the traditional areas by acquiring new brands

Years from 2001 to 2003 were tough years for the whole industry, and for LVMH group as well. The group pruned out some non-strategic assets and concentrated its efforts in the most promising areas.

Example: the LVMH galaxy

The houses of LVMH

Wines and Spirits
- Moet Chandon
- Dom Perignon
- Mercier
- Ruinart
- Veuve Cliquot
- Canard-Duchene
- Krug
- Chandon Estates
- Cloudy Bay
- Cap Mantelle
- Newton
- Mount Adam
- Chateau d'Yquem
- Hennessy
- Hine

Perfumes and Cosmetics
- Parfums Christian Dior
- Parfums Givenchy
- Guerlain
- Parfums Kenzo
- Acqua di Parma
- Make Up Forever
- Fresh
- BeneFit
- Bliss

Watches and Jewelry
- Tag Heuer
- Montres Christian Dior
- Zenith
- Ebel
- Chaumet
- Fred Paris
- Omas
- DeBeers LV

Fashion and Leather Goods
- Louis Vuitton
- Loewe
- Celine
- Berluti
- StefanoBi
- Kenzo
- Givenchy
- Christian Lacroix
- Marc Jacobs
- Thomas Pink
- Emilio Pucci
- Donna Karan
- Fendi

Selective Retailing
- Sephora
- Duty Free Shopper
- Miami Cruiseline
- Le Bon Marchè
- La Samaritaine

Other Activities
- e-Luxury
- L Capital
- DI Group

International Implications

- Adaptation vs. standardization
- Standardization reduces costs
- Shrinking world → standardization
- High-profile, high-involvement – global brand
- Low-involvement products – local brand
- Packaging and labeling
- Image and positioning issues