

# CREATING BRAND EQUITY

## **Bibliography:**

Kotler and Keller (2012), Marketing Management, 14ed.,  
Pearson, cap. 9

# Brand

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- A name, term, 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.

(American Marketing Association)

- “A brand is a living entity – and it is enriched or undermined – cumulatively over time, the product of a thousand small gestures.”

Michael Eisner, former CEO Disney



# Brand

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- The brand differentiates the company's offering.
  - ▣ Functional, rational , tangible role of brands
    - Actual performance
  - ▣ Emotional, intangible role of brands
    - Emotions, feelings, engagement



# Brand

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## □ Brand identity

- ▣ The way a company aims to identify or position itself or its product or service in the minds of the consumer.



## □ Brand image

- ▣ The way the consumer actually perceives a brand, which leads to the psychological or emotional associations that the brand aspires to maintain in the mind of the consumer.



# Role of Brands

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## Consumer Benefits



### Brands:

- Identify source/maker
- Simplifies decision making through past experience with the brand
- Reduces risk
- Signal a certain level of quality
- Become part of identity

# Role of Brands

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## Marketer Benefits

### Brands:

- Simplify product handling
- Protect unique features
- Create loyalty
- Establish barriers to entry
- Hard to copy



Brand is an important source of value for the firm.

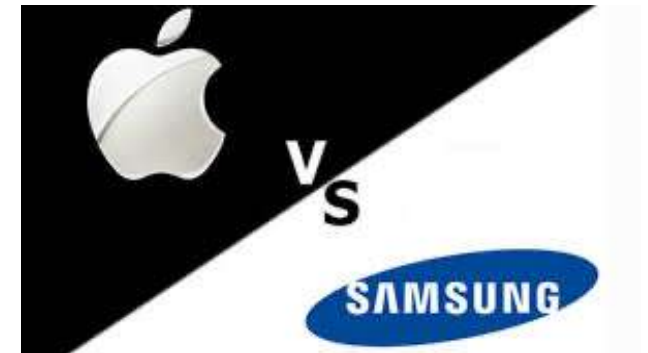
# The importance of branding

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**BRANDING, why?**

quality  
strength  
awareness  
**BRAND**  
loyalty  
perception  
trust  
identity  
marketing

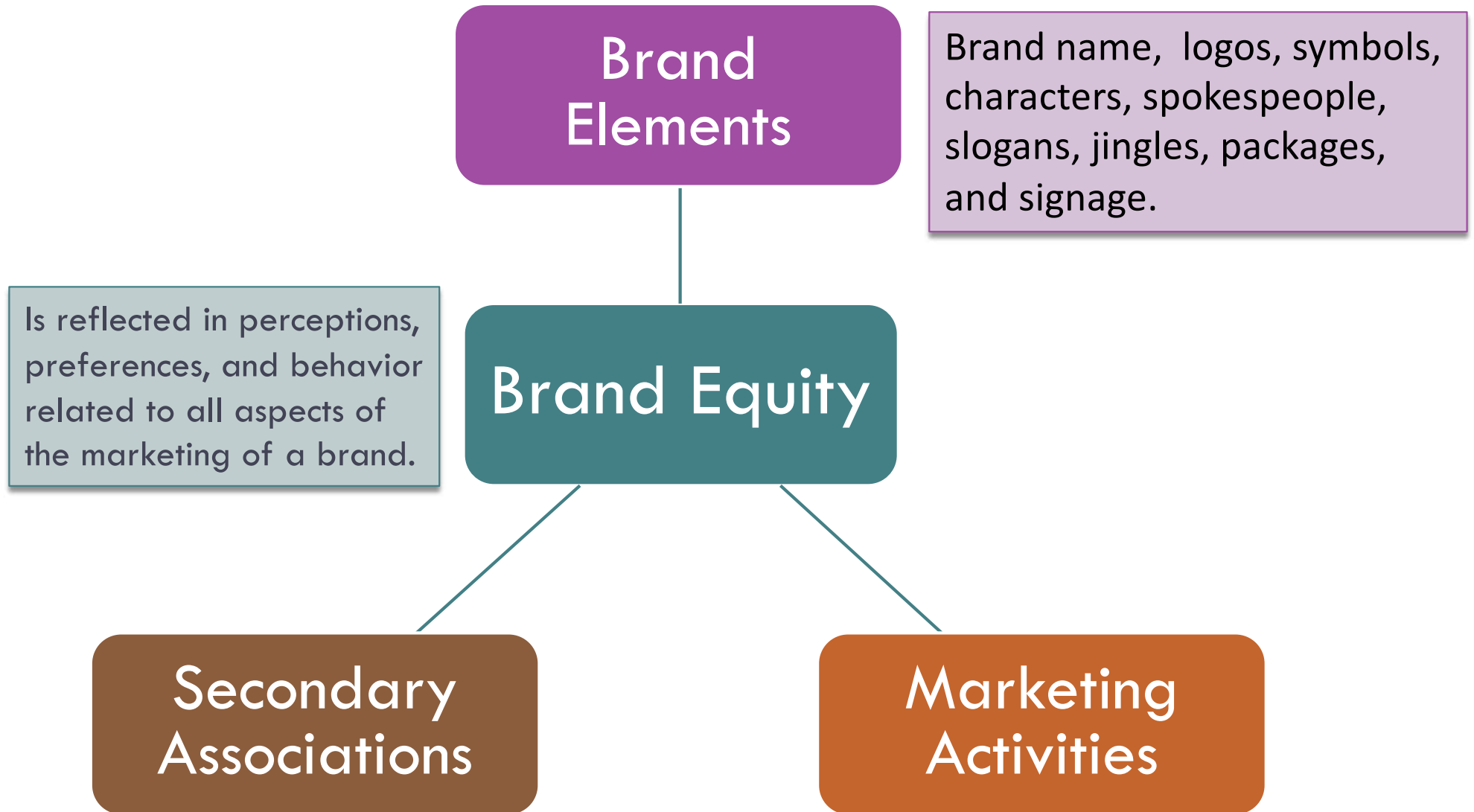
**CR7**  
CRISTIANO RONALDO





# Building Brand Equity

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# Brand equity (David Aaker)

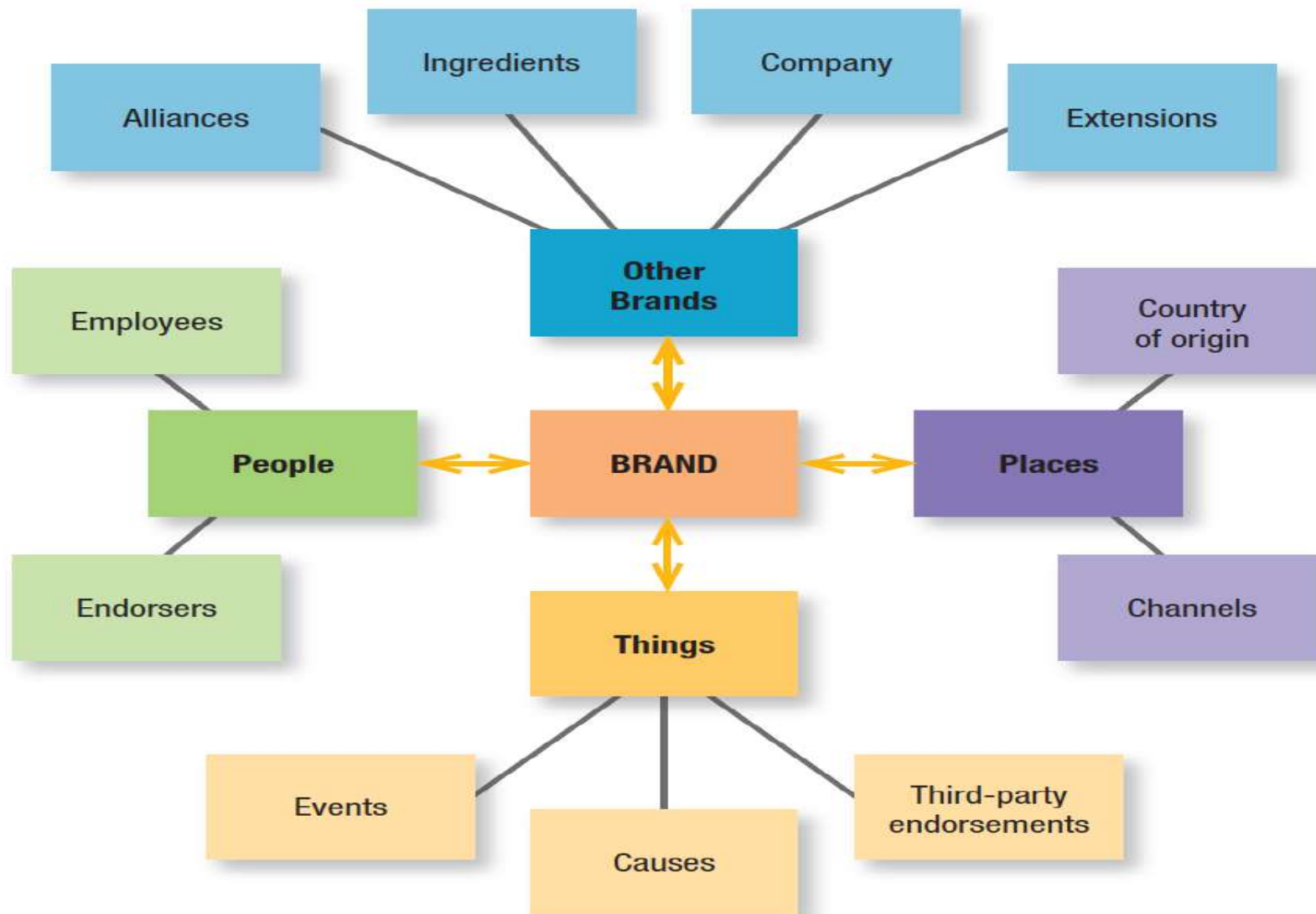
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- The added value endowed on products and services because of the brand.
- Components of brand equity:
  - ▣ Brand loyalty
  - ▣ Brand awareness
  - ▣ Perceived quality
  - ▣ Brand associations
  - ▣ Proprietary assets such as patents and trademarks

Brands value: Interbrand - defines brand value as the net present value of the future earnings that can be attributed to the brand alone. <http://www.bestglobalbrands.com/>

# Building Brand Equity: Leveraging Secondary Associations

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# Building Brand Equity: Leveraging Secondary Associations Examples

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**GALP ENERGIA E CONTINENTE,  
EM SINTONIA NUM SÓ CARTÃO.**



Assumimos o compromisso para a construção de um futuro sustentável, através de promoção de escolhas e a adoção de comportamentos mais conscientes, do ponto de vista social, económico e ambiental.



Trabalhamos para a coesão e bem-estar social através da promoção e celebração de uma cidadania mais ativa e solidária.



Apoiamos a saúde familiar, centrado no apoio à natalidade e promoção da saúde infantil em Portugal, através de um apoio local.

# Building Brand Equity: Designing Holistic Marketing Activities

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- Brand contact
  - Any information-bearing experience (positive or negative) a customer or prospect has with the brand, its product category, or its market
    - Ex: BMW employed a broad mix of media to launch Mini Cooper in the US: billboards, posters, internets, print, public relations, product placement, and other activities.



# Internal Branding





















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- Activities and processes that help inform/inspire employees about brands
  - ▣ Choose the right moment
  - ▣ Link internal and external marketing
  - ▣ Bring the brand alive for employees
  - ▣ Keep it simple





# World's 12 Most Valuable Brands 2021

01 <b>Apple</b> +26% 408,251 \$m 	02 <b>Amazon</b> +24% 249,249 \$m 	03 <b>Microsoft</b> +27% 210,191 \$m 	04 <b>Google</b> +19% 196,811 \$m 	05 <b>Samsung</b> +20% 74,635 \$m 
06 <b>Coca-Cola</b> +1% 57,488 \$m 	07 <b>Toyota</b> +5% 54,107 \$m 	08 <b>Mercedes-Benz</b> +3% 50,866 \$m 	09 <b>McDonald's</b> +7% 45,865 \$m 	10 <b>Disney</b> +8% 44,183 \$m 
11 <b>Nike</b> +24% 42,538 \$m 	12 <b>BMW</b> +5% 41,631 \$m 	13 <b>Louis Vuitton</b> +16% 36,766 \$m 	14 <b>Tesla</b> +184% 36,270 \$m 	15 <b>Facebook</b> +3% 36,248 \$m 
16 <b>Cisco</b> +6% 36,228 \$m 	17 <b>Intel</b> -3% 35,761 \$m 	18 <b>IBM</b> -5% 33,257 \$m 	19 <b>Instagram</b> +23% 32,007 \$m 	20 <b>SAP</b> +7% 30,090 \$m 

# Strategic brand management

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- ❑ Identification of the brand with customers
- ❑ Firmly establish the brand meaning in the minds of customers.
- ❑ Association of the brand with a specific product or service class or customer need.
- ❑ Communicate the brand's positioning.
- ❑ Elicit the proper customer responses to this brand identity.
- ❑ Create an intense, activity loyalty relationship between the customer and the brand.
- ❑ Manage all brand touch points.





# Brand revitalization: Renova example

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# Branding Decisions

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- Deciding the nature of new and existing brand elements to be applied to new and existing offerings.
- Alternative branding strategies:
  - Individual or separate brands for each product or service
  - Corporate umbrella or company brand name - the same brand name across the entire range of products and/or services.
  - Corporate name combined with sub-brand names

Individual or separate brands for each product or service

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# Corporate Umbrella - The same brand for all products/services

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The same brand name across the entire range of products and/or services.





# Corporate name combined with sub-brand names

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# Kellogg's®



# Branding decisions: One brand or multiple brands?

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## Toward a branded family

*Does the parent brand contribute to the offering by adding:*

- Associations enhancing the value proposition?
- Credibility through organization associations?
- Communication efficiencies?
- Ex: Virgin Group

**Will the master brand be strengthened with the new offering?**

## Toward a family of brands

*Is there a compelling need for a separate brand because it will:*

- Create and own an association?
- Represent a new, different offering?
- Retain/capture customer/brand bond?
- Deal with channel conflict?
- Ex: Inditex Group

**Will the business support a new brand name?**

Sub-brand strategy is in the middle of the branding alternatives spectrum.

# Service branding

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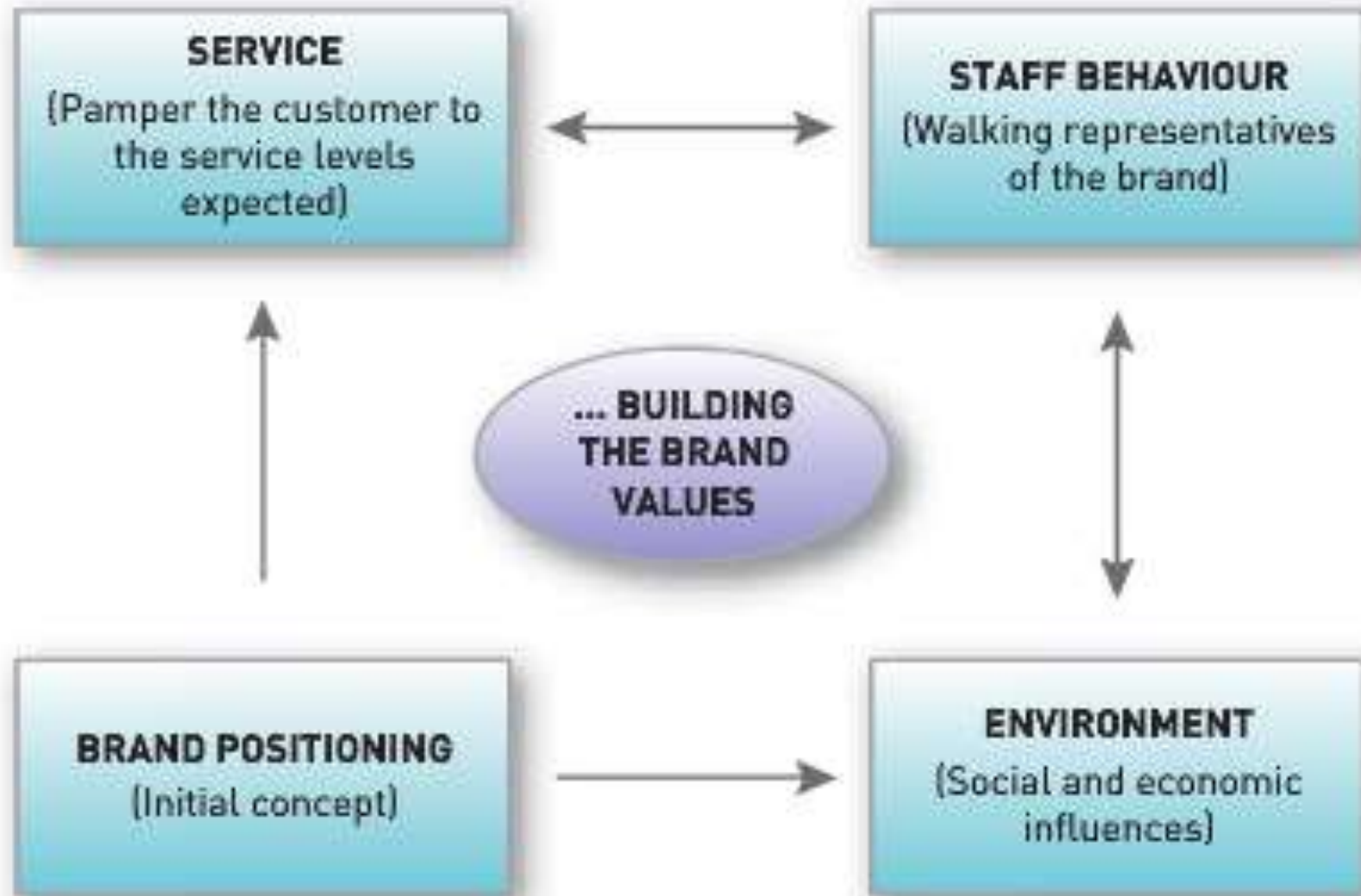
- Branding is crucial for services, due to their specific characteristics, such as intangibility.
- Brands enable customers to better visualize and understand intangible service.
- Strong brands increase customers' trust of the invisible purchase.





# Managing Service brands

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# VALUE CREATION AND CUSTOMER RELATIONSHIP MANAGEMENT

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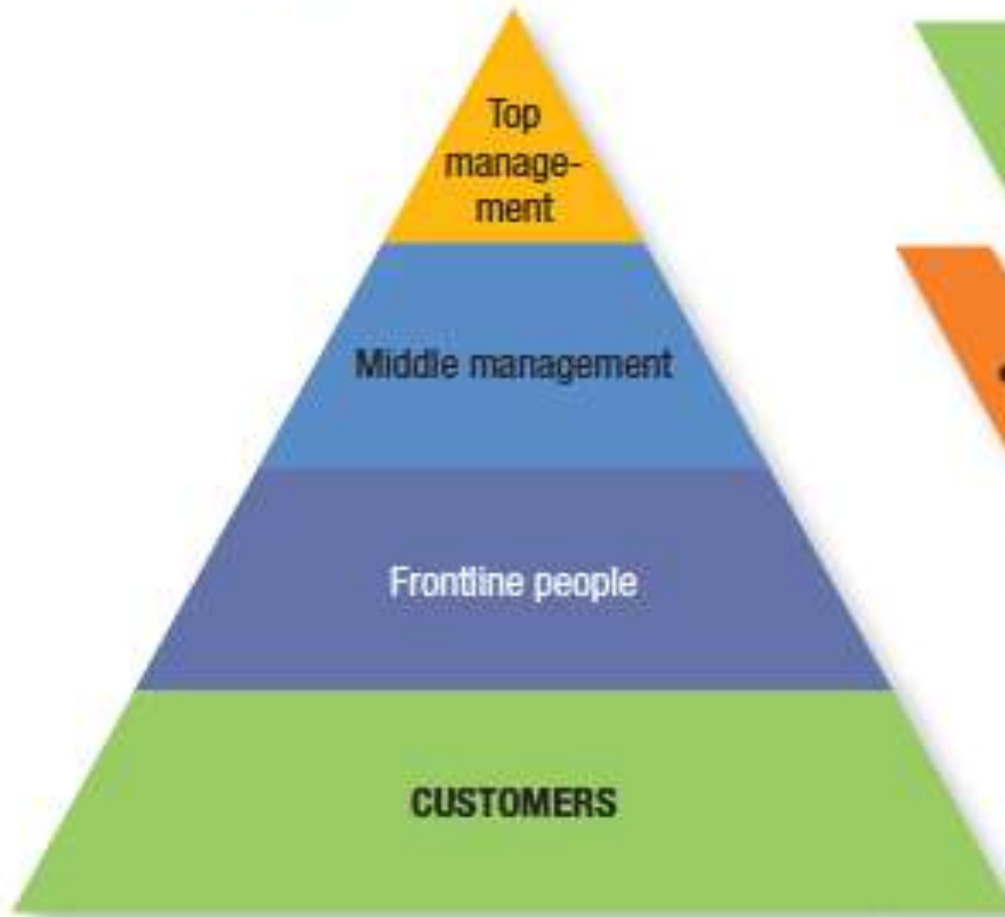
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Wirtz and Lovelock (2016), Services Marketing, 8th ed., Chapter 12.

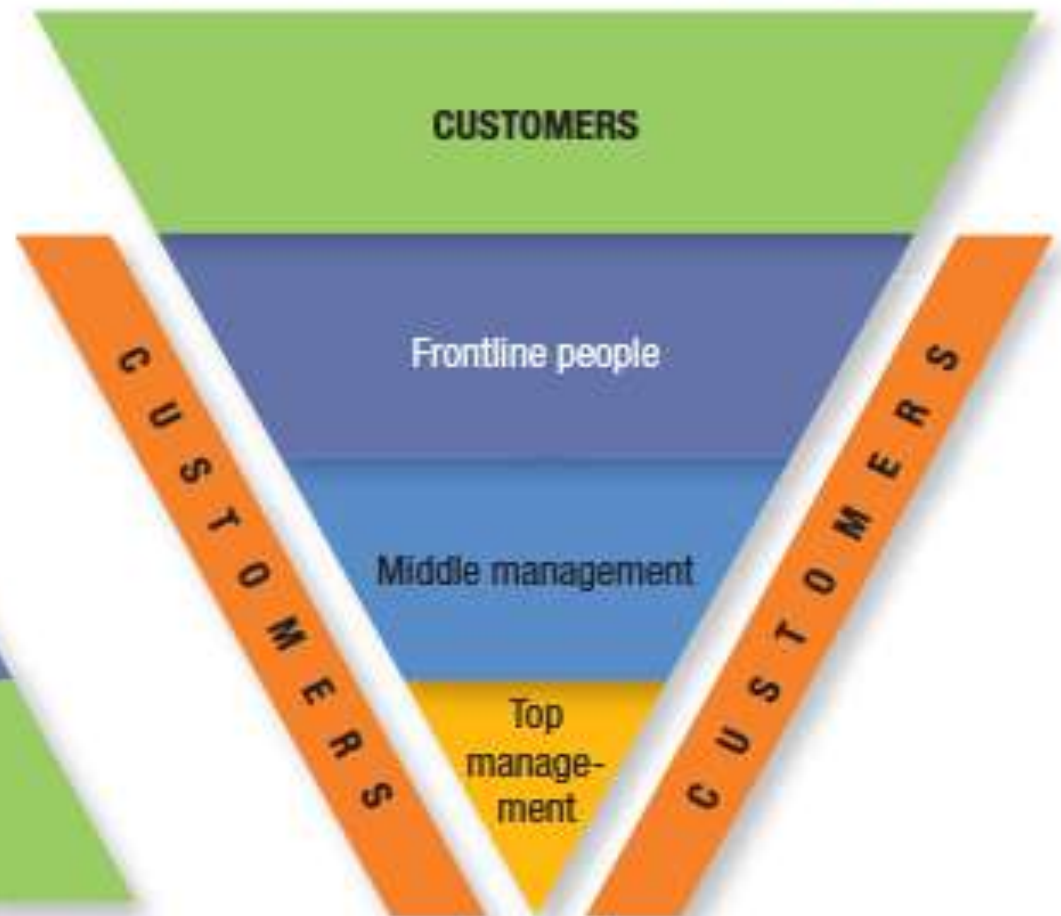
# Building Customer Value, Satisfaction, and Loyalty

25

(a) Traditional Organization Chart

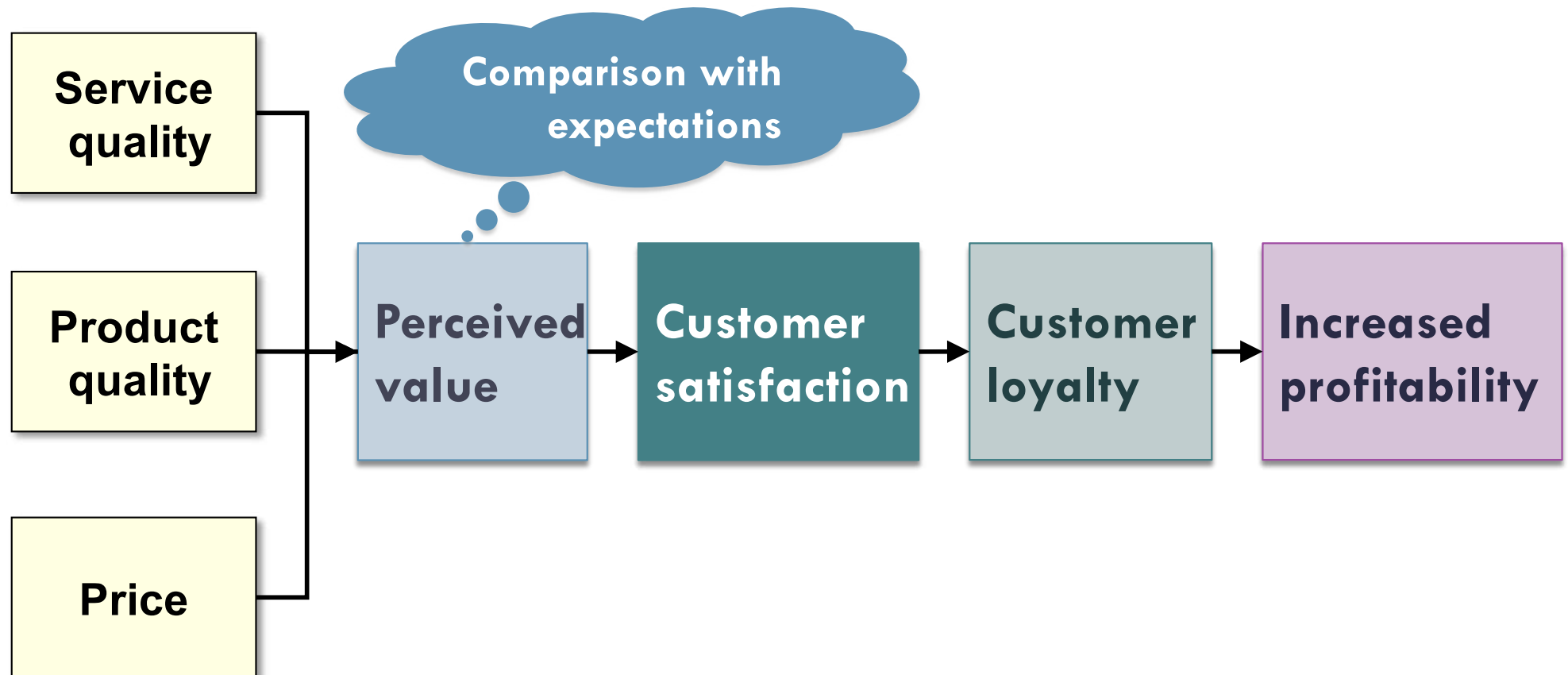


(b) Modern Customer-Oriented Organization Chart



# The importance of customer satisfaction

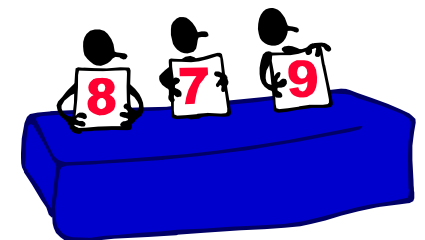
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# Product and Service Quality

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- The characteristics of a product or service that bear on its ability to satisfy stated or implied needs (American Society for Quality)
- Fitness for use (Joseph Juran)
- Conformance to requirements (Philip Crosby)
- **Perceived quality:**
  - ▣ Customer perceptions of product or service quality.
  - ▣ For customer decisions, perceived quality is real quality.



# Customer expectations

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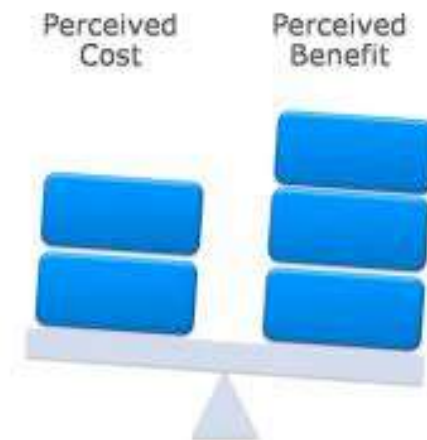
- *Customer expectations* of service are beliefs regarding the value of a product or service
  - ▣ Customers form global expectations and expectations about specific aspects of a product or service.
    - Ex: waiting time, reliability, empathy...



# Perceived value

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- What do customers mean by value?
  - Difference between customer perceptions of what is received (benefits) and what is given (costs) to obtain and use a product or service.
    - Total Benefits = product benefit + services benefit + + personnel benefit + image benefit + ...
    - Total Costs = monetary cost + time cost + effort cost + psychological cost + ...



$$\text{Value} = \text{Total Benefits} - \text{Total Costs}$$



# Satisfaction

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- ▣ A person's feelings of pleasure or disappointment that result from comparing a product or service's perceived performance (or outcome) to expectations

**Satisfaction = Perceived Performance – Expected Performance**

“Everyone knows what satisfaction is, until asked to give a definition. Then it seems, nobody knows”

Richard Oliver



# Loyalty

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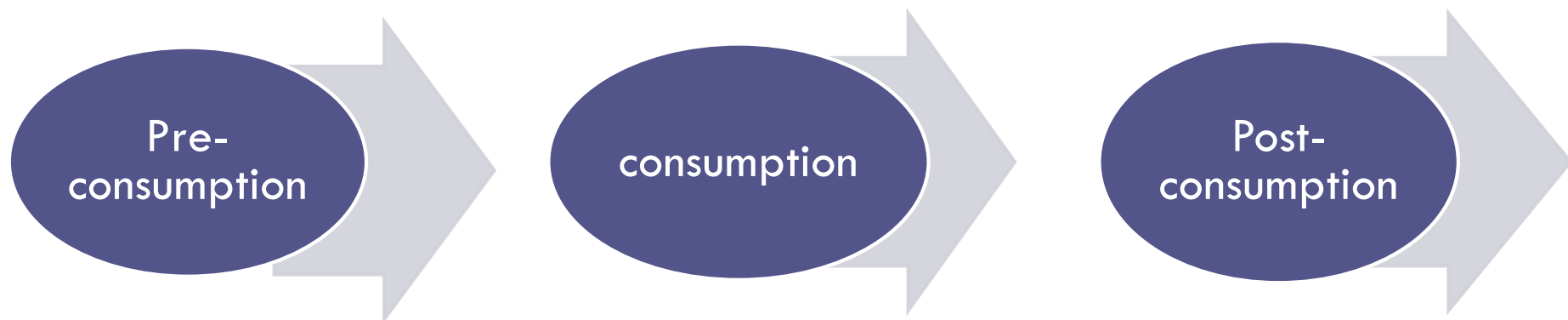
- Customer willingness to repeat purchase and patronize the product or service in the future.
  - ▣ Intention to repeat purchase
  - ▣ Recommendation to friends
  - ▣ Word-of-mouth
- Giving customers some extra value will **delight** them by exceeding their expectations and insure their return



# Overall customer experience

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- The overall customer experience comprises all interactions with the product or service and the company:
  - ▣ First contact with the company
  - ▣ First contact with the product or service
  - ▣ Buying process
  - ▣ Usage process
  - ▣ Upgrade and after-sales support



# Customer relationship management(CRM)

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- Management philosophy involving the management of continued relationships with customers, with the aim of maximizing customer loyalty and value.
  - ▣ Collecting and analysis of individual customer information.
  - ▣ Adapting the offering to each customer
  - ▣ Carefully managing the differene customer touchpoints.



# Customer relationship management (CRM)

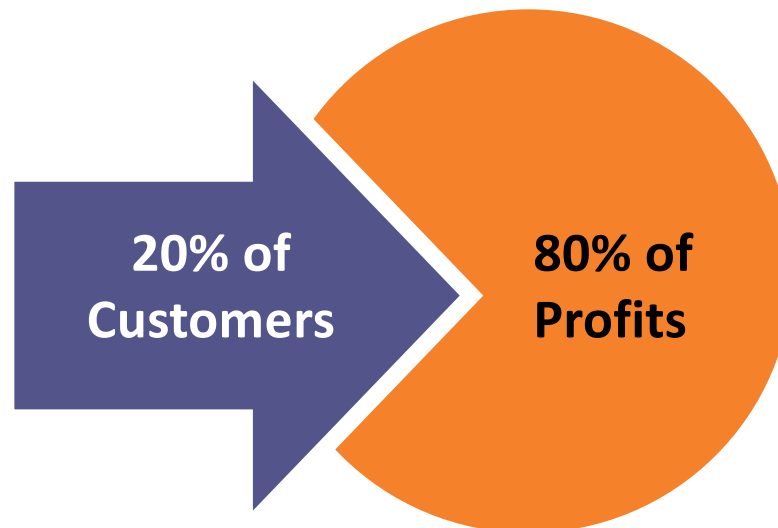
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- The value of the customer relationship
  - ▣ Customer profitability
  - ▣ Customer Lifetime Value (CLV)
  - ▣ Customer Equity
  
- Development of long term relationships with customers

# The value of customer relationship management

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- ❑ Studies indicate that attracting a new customer costs 5 times more than retaining an existing customer (Reichheld 1996).
- ❑ Each customer is worth for his/her actual and future purchases.
- ❑ In many industries, 20% of customers are responsible for 80% of profitability.



# Customer profitability

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- Customer profitability is positive when overall customer revenues exceed the overall costs of the products and services offered to the customer.
- ▣ Customer profitability depends on the bundle of products and services he/she buys from the company.

## Customer Profitability Analysis

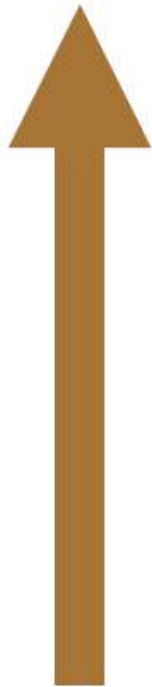




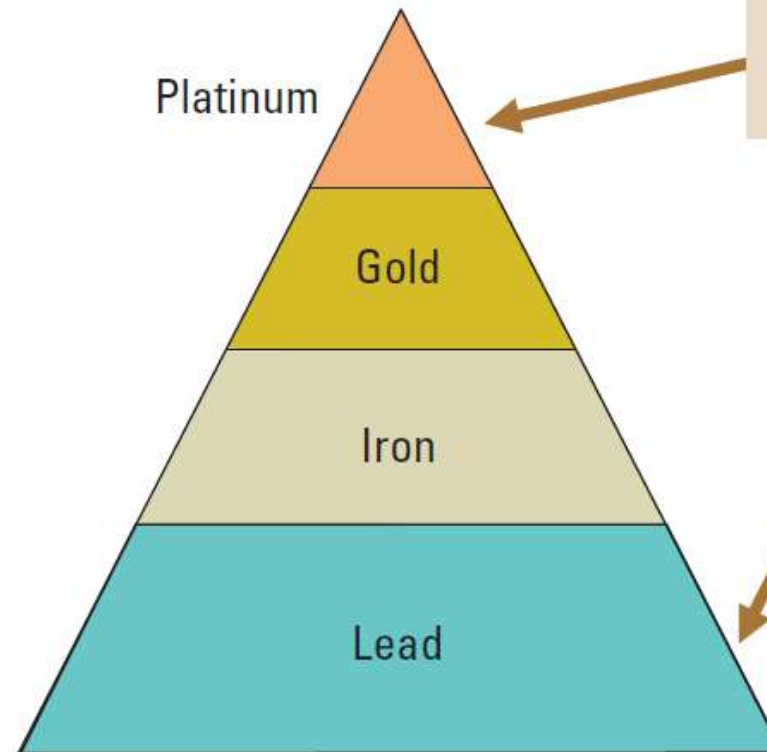
# The Customer Pyramid

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Good-Relationship  
Customers



Poor-Relationship  
Customers



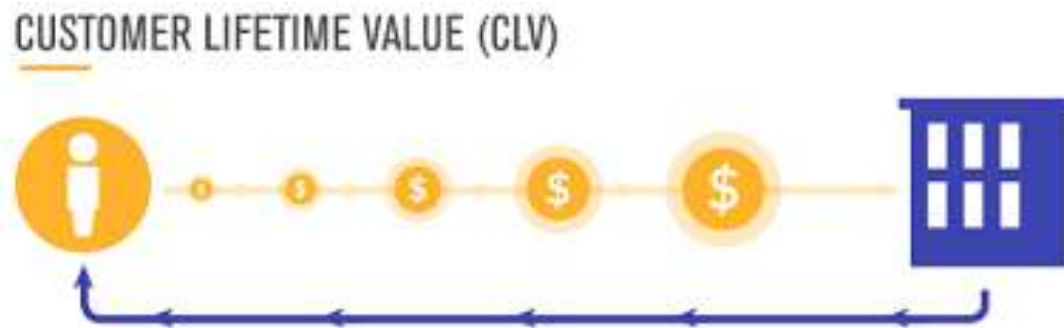
Which segment sees high value in our offer, spends more with us over time, costs less to maintain, and spreads positive word-of-mouth?

Which segment costs us in time, effort and money but does not provide the returns we want? Which segment is difficult to do business with?

# Customer Lifetime Value (CLV)

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- CLV is the net present value of the stream of future profits expected over the customer's lifetime purchases
- To calculate CLV, all customer purchases should be considered, minus all costs to attract, sell to and serve the customer.
- The CLV of a car constructor customer is the NPV of all potential profits that the customer may generate through all potential car purchases over his/her lifetime.



# Customer Equity (Value of the company's customer base)

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- The sum of lifetime values of all customers
- Factors influencing customer equity
  - ▣ Value of the service offering
  - ▣ Value of the brand
  - ▣ Value of the relationship



# Attracting and Retaining Customers

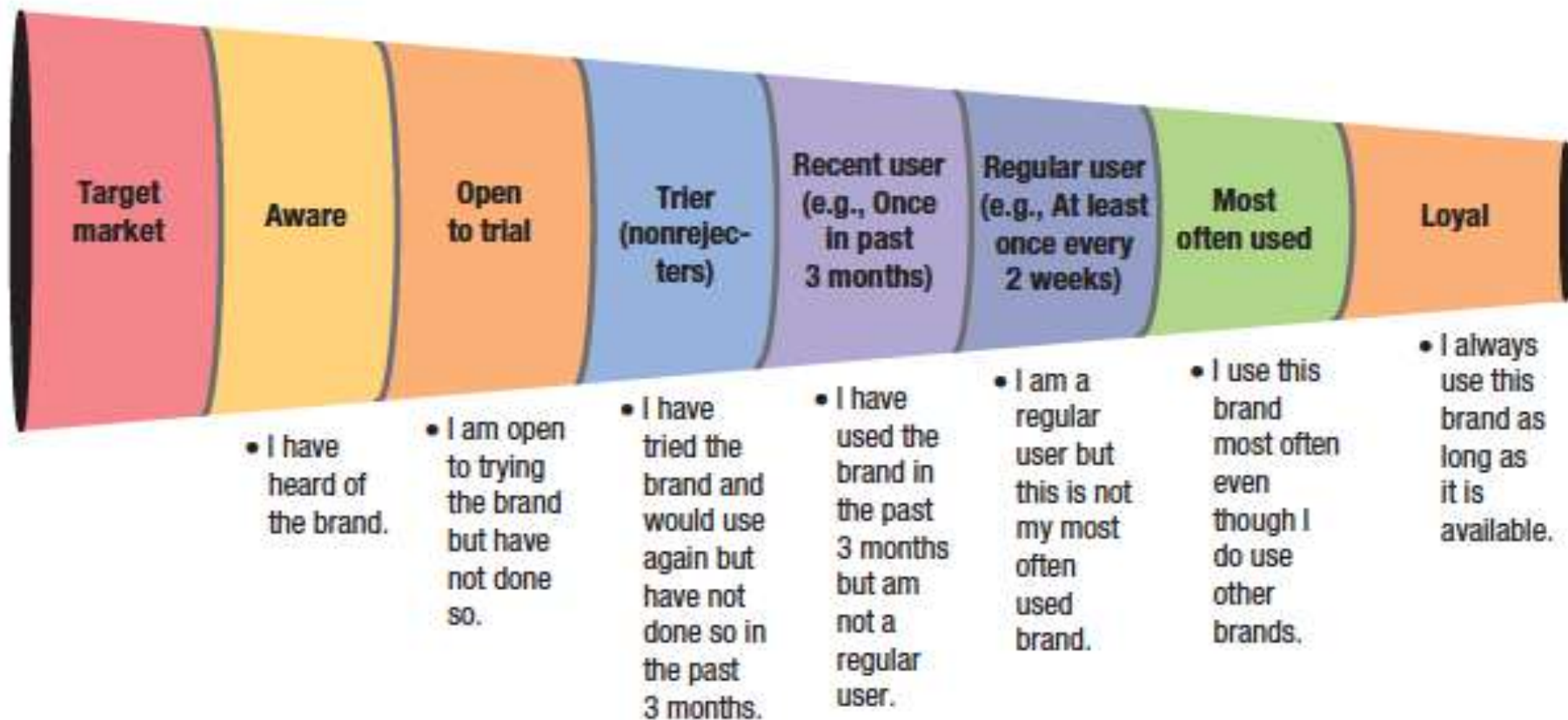
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- Reducing defection/customer churn
  - ▣ Define and measure retention rate
    - For a magazine, subscription renewal rate is a good measure of retention.
  - ▣ Distinguish/identify customer attrition causes
    - EX: poor service, bad products, high prices or customers moving to other region
  - ▣ Compare lost CLV to reducing defection rate
    - As long as the cost to discourage defection is lower than the lost profit, spend the money to try to retain the customer.

# Attracting and Retaining Customers

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- Retention dynamics/marketing funnel
  - ▣ main steps in attracting and retaining customer



# Attracting and Retaining Customers

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- Managing the customer base
  - ▣ Reduce customer defection
  - ▣ Focus on high-profit customers
  - ▣ Increase customer longevity
  - ▣ Terminate low-profit customers
  - ▣ Share of wallet and cross/upselling



# Attracting and Retaining Customers

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## □ Brand communities

Continente Chef Online



HOG (Harleys Owners Group)



# Attracting and Retaining Customers

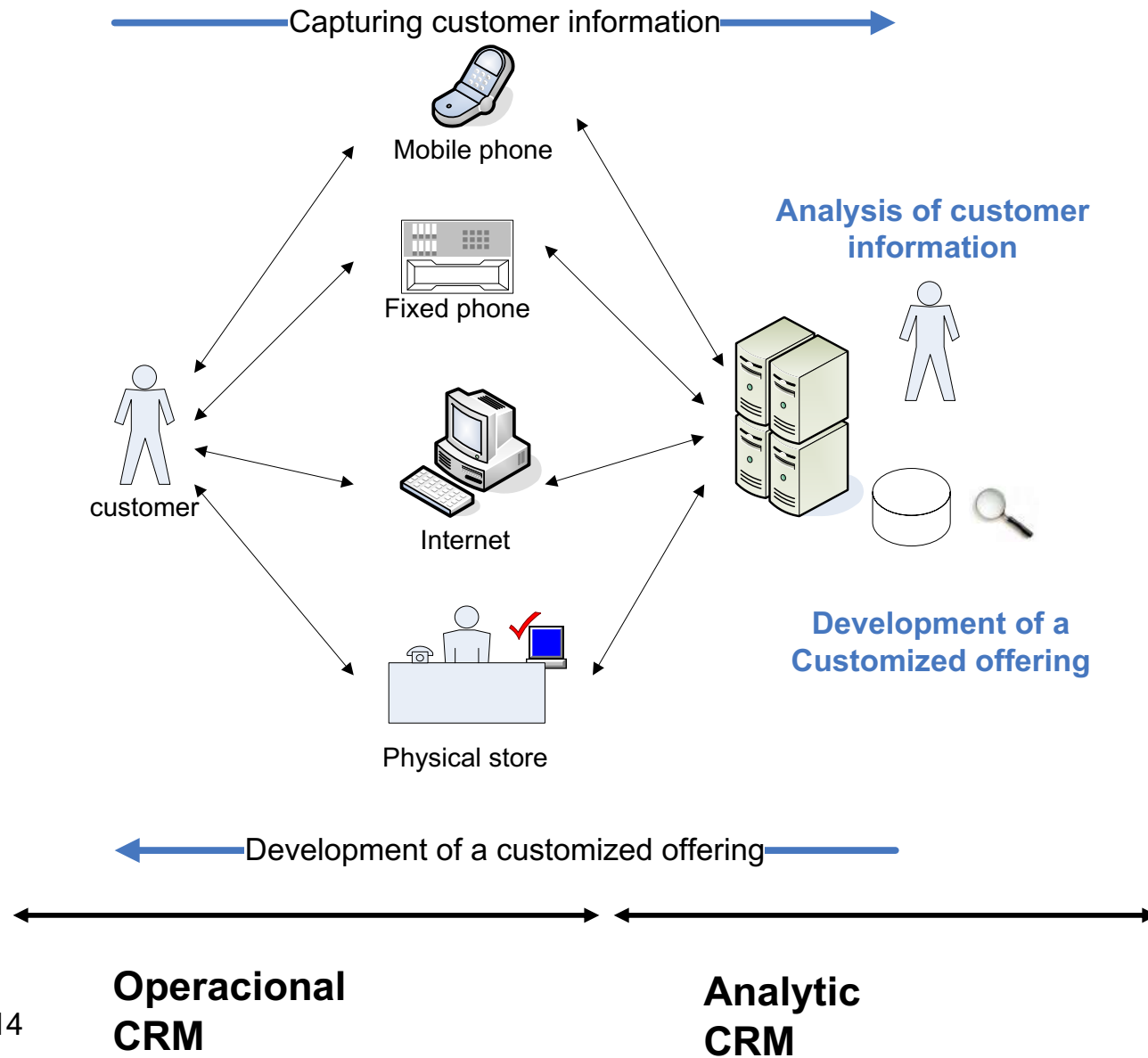
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- Heinz asked customers to submit ads on youtube for their ketchup

# CRM

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# CRM principles (Peppers e Rogers)

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1. Identify of actual and potential buyers.
2. Segment customers based on their needs and value for the company.
3. Individualize interaction with customers to better know their needs.
4. Customize products, services and communications with each customer.
5. Reduce customer churn (defection) rate.
6. Increase longevity of customer relationship.
7. Develop the potential of each customer, improving share-of-wallet through cross-selling and up-selling.
8. Improve profitability of each customer or terminate the relationship with non-profitable customers.
9. Concentrate company's attention on the most valued customers.

# Social CRM in digital era (1)

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- Use of mobile applications (apps) to enhance the digital customer experience.
  - ▣ As media for content (e.g., videos and games)
    - Ex :Pokémon Go app
  - ▣ Self-service channels through which customers access their account information or make transactions
    - Ex: mobile banking
  - ▣ Integrated into the core product or service experience
    - Ex: My BMW Remote app

# Social CRM in digital era (2)

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- Application of social customer relationship management (CRM) to engage customers in conversations and provide solutions.
  - Social CRM is conversational - involves ongoing dialogues.
    - The dialogues are not only between the brands and the customers but also among customers in their communities.
  - Need to listen to the voice of the customer. Brands can extract insights from the general conversations happening on social media regarding them.
  - Brands should involve in general conversations.
  - Need to handle complaints that potentially lead to brand crises. Companies are expected to provide solutions to customer issues before the issues go viral.



# Social CRM in digital era (3)

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- Use of gamification helps improve engagements by driving the right sets of customer behavior.
  - ▣ **Gamification - the use of game principles in non-game context**
    - Ex: TripAdvisor, uses gamification to increase engagement. TripAdvisor hands out TripCollective badges to reviewers to acknowledge their contributions to the travel community
- Gamification takes advantage of human desires to achieve higher goals and to be recognized for their achievements.
- Some customers are motivated by rewards, and some are motivated by self-actualization.
- As with games, there is also a certain level of addiction involved in pursuing higher tiers.
- Thus, customers have continuous interactions with the companies, creating stronger affinity.

# Common Failures In CRM Implementation

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- ❑ Viewing CRM as a technology initiative
- ❑ Lack of customer focus
- ❑ Insufficient appreciation of customer lifetime value (CLV)
- ❑ Inadequate support from top management
- ❑ Failing to reengineer business processes
- ❑ Underestimating the challenges in data integration