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Lesson 1

UNDERSTANDING BRANDS – INTRODUCTION

Brand management as one of the marketing functions has been around for as long as we have known professional marketing.

But, it has been a part of the traditional marketing approach in which many functions of today's brand management were performed in a spread out fashion by the marketing manager and a combination of his team members like the sales manager, the advertising and communications manager, and the marketing administration manager to name a few. The terminology of brand management was not used.

Brand management, in its present integrated form, has come into limelight and focus over the last 20 years. The functional execution has undergone transformation in terms of its description as a substantive job under one head. This implies that the overall functions of brand management are full of substance and therefore are described specifically under the head - brand management and not as disparate parts of the overall marketing functions.

In other words, brand management has not lost its primary roots that are well-entrenched in marketing; it only has acquired explicitly defined dimensions within which the function operates.

To further elucidate the point, there have been functional adjustments within the overall marketing functions only to bring into clear and sharp focus the specific functions and job of brand management.

Brand management now presents itself as a distinct part of an integrated marketing approach in which it connects with all the touch points within and outside of the marketing department.

The whole concept can be exemplified by seeking your attention toward two fruit baskets; one full of mixed fruits and the other having compartments carrying different fruits of each type in each compartment. Each type comes into a sharper focus! So do the touch points.

This course is going to give you a clear understanding of what a brand is, why and how it is managed, and what are the dynamics involved in managing brands in the present day competitive market.

What is a Brand and Brand Management?

We all know from our study of the basic marketing course and also as consumers that a brand is "a name, term, sign, symbol, design, or a combination of them intended to differentiate one product from those of the competitors".

Perhaps, the most distinctive professional skills of marketing persons are their abilities to create, maintain, and protect a brand in a hostile market. These abilities call for a collective input on part of all within the marketing department and other departments.

Brand creation, therefore, is the end product of a team of professionals and not just one person. It is a team effort. If the art of conceptualizing the brand rests with marketing, then the actual creation of it is the cornerstone of the overall company team.

How Brand Management Came into Being?

We also know that brands have been around for as long as we can look back into the modern business management. However, we need to have a distinct understanding of how brand management came into being in its present form.

Over the decades as businesses and competition grew, in case of multinational corporations in particular, the growth of brands exploded. With economic growth and the technological advances of the later half of the 20th century in particular, various industries ranging from the areas of foods to pharmaceuticals to textiles to cars to electronics and many other registered impressive growth.

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- Growth of industries attracted more players, who along with the existing ones felt the need to make their presence felt by way of differentiating their products from each other. Hence, the drive toward brand management got progressive impetus.
- The more competitive the markets became, the more they tried to get into the areas of distinction and differentiation and created conditions worthy of sophisticated management techniques. Hence, the emphasis on brand management became increasingly evident.
- The stronger the brands emerged, the higher the value they created for the company and led businesses into diversified areas, and hence, brand management became ever more obvious and sophisticated.

Growth, however, is not something that takes place overnight. A tremendous effort in terms of time and money is required. Despite the effort, results do not stand guaranteed.

To cope with that possibility, companies tried to acquire brands from each other instead of creating their own. The practice is still on. Also, growth took place not only within the same *category*, but also across categories. Growth across categories owed to strength of brands. This implies that a strong brand with high loyalty offers its company the temptation to get into another category (for example, from milk to juices) with higher chances of success.

Whether it was only one product category or diversified product categories, the amount of activities dictated that all product categories be managed separately. Various areas or markets in which different corporations were dealing (for example, a company could be producing or trading products ranging from detergents to foods to personal care) made it imperative for those corporations to bring every single category in the first place and brand/s in the second under acute scrutiny for better management.

It became clear to corporations that to bring the marketing effort relating different brands into a sharp focus, they needed to have different people (brand managers) looking after different brands.

Empirical evidence has it that professionals working across product categories tend to lose focus, make less-than-highly qualitative decisions, and in the end hurt the products and brands, making the whole process either less profitable or even a loss-bearing-proposition.

Conversely, especially designated managers, who have the sole responsibility of managing their designated brands, can concentrate on developing a cost-effective marketing-mix for the brands they are responsible for. The attached figures 1 and 2 illustrate the evolution of the layer of product and brand management, with the passage of time.

First, the product(s) was brought into focus and put under the charge of a product manager. As an example, one product manager dealt with all the brands of biscuits. Competitive pressures demanded more sophistication and gradually paved the way for management of each brand by a separate manager. Each manager took the role of a brand manager. This is how brand management took shape. And, this is the way it drives brands of today.

The figures clarify that product and brand management is practical when a company is dealing in more than one product category or more than one brand within one category.

It is also obvious that product and brand management does not replace the traditional functional structure. It merely adds more layers to the organization for the purpose of improving functionality. Brand management, therefore, is a function of the marketing effort and not a substitute to it. Refer to figure 3.

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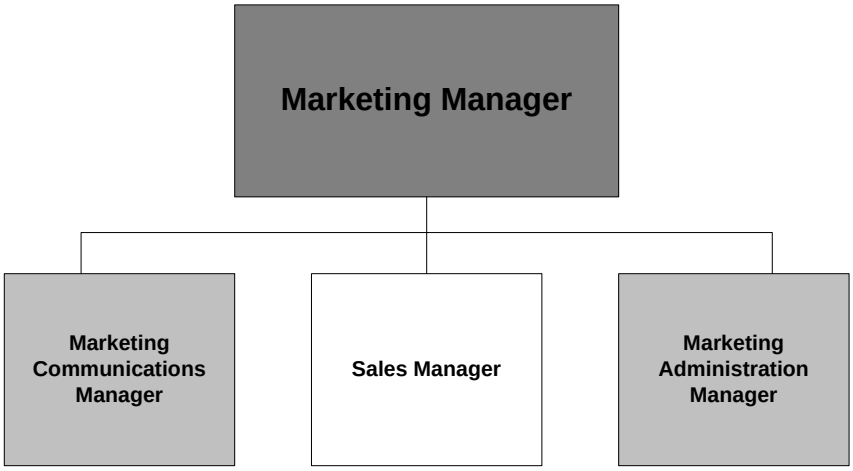
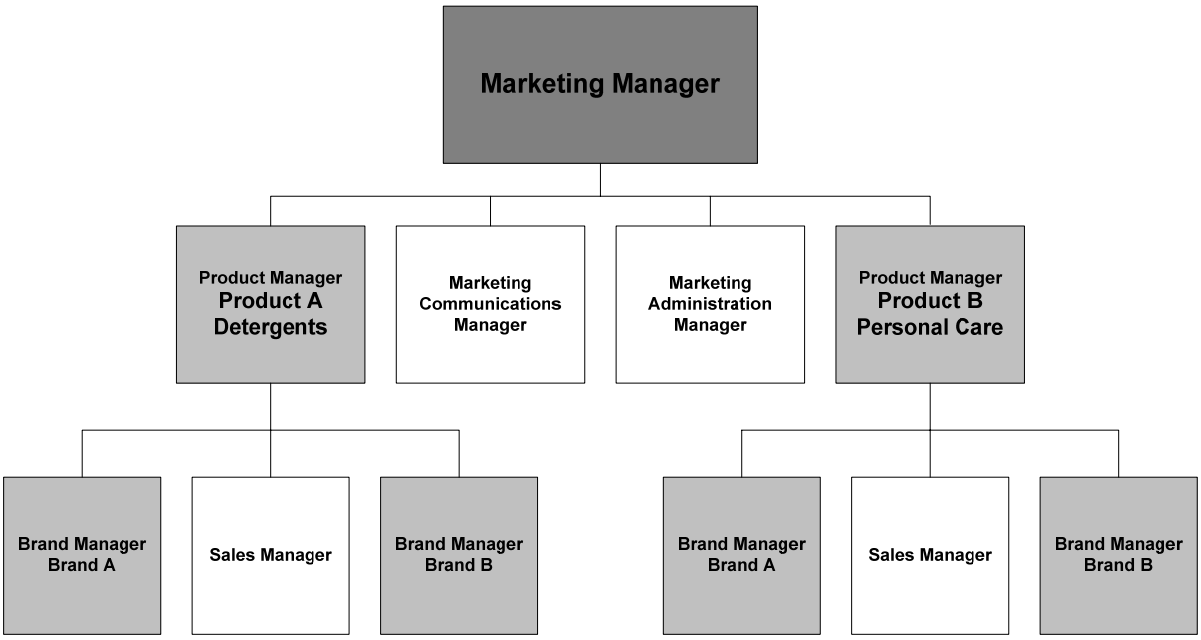
Traditional Functional Structure

Figure 1



Functional Structure With Product and Brand Management

Figure 2



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Functions of Brand Management

While performing the core functions of brand management, brand managers:

- Develop long range competitive strategy for success of the brand. All tactical moves that form part of the strategy are formulated for execution by relevant personnel of the company.
- Prepare in coordination with sales personnel *sales forecasts* and dovetail the same into marketing plans and *budgets*. Sales forecasts serve as the basic denominator of all budgetary figures, which are divided and sub-divided into small pieces to be achieved by different personnel in different departments.
- Work with advertising and other related agencies (promotional and research) to develop advertising *copy*, communication strategies, and plans for execution of advertising and promotional campaigns.

Figure 3

- Stimulate support of the brand among the sales force and trade members (distributors, wholesalers, and retailers) through communicating lucidly all the rationale for *brand plan*.
- Gather intelligence on the brand's performance to see how the brand stacks up against competition, customer and trade attitudes develop and change, and new problems and opportunities arise. Identification of problems, their solutions and further improvements are part of the function that keeps brand managers busy for most of the time.
- Meet changing market needs through improving and initiating new products/brands. This function is an extension of the preceding one and, as mentioned, cannot be performed convincingly unless problems are identified and changing needs pinpointed.

Why so much talk about brand management?

What is the background of so much talk about brand management? As and when competition among products in various categories of consumer items intensified, it made the question of "how to grow business?" larger and larger for business managers.

We have to remember there are only two ways to grow your business, namely

- Through *organic growth*
- Through *acquisitions*

As the markets grew more and more mature (western markets), the route to growth through organic means went from tough to tougher. The lower rate of category growth, intensified competition, well-established consumer preferences, and a host of other factors made it tough for businesses to invest into organic growth mechanism and wait for results over an extended period of time.

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That paved the way for the other optional route, that is, through acquisitions. Business managers found it more business-savvy and prudent to start buying existing businesses with strong brand names.

Why? This owed to the simple reason that strong brands assured long term earnings, healthy cash flows, and, hence, attractive *bottom lines*. It was in this background that the 1980s witnessed a lot of activity in terms of buying and selling of businesses.

The cash rich and financially strong companies were willing to buy (and still are) the intended target companies at a price many times more than the value of their *stocks* and price earnings. The happenings on that front were dramatic. The prices paid were astronomical; the intention was to buy an established company and own its strong brand.[1]

What really drove the business managers to be that aggressive was the potential they saw in the brands that could generate high earnings, positive cash flows, and good profitability on a consistent basis.

The businesses that were being acquired confirmed their realization that the real value of their businesses did not lie in plants, buildings, and machinery; it rather lay outside the tangible domain of their business, into the value of their brand, meaning into the minds of their potential customers.[2] And that is precisely what acquirers buy – positions in the mind of potential consumers.

That awareness took strong roots in the 1980s and it has given brands a new financial dimension in terms of their value; that value is reflected in balance sheets of the companies as brand's financial value or equity.

Organic growth or inorganic (through acquisitions), what is important is the fact that brands must be sustained in a competitive and hostile environment regardless of who owns them, at any particular point in time!

We shall realize the importance of sustaining brands as we go along the course by looking into the background of developments in the area of brand management.

The understanding of the background in light of market dynamics will throw light on the variables that play their role in making brands strong and stronger. We shall see that it is not just a few mechanical steps that lay the foundation for good brand management; it also is the perpetual existence of a compatible brand-based organization that makes leveraging of the brand possible. It is the commitment on part of all in the organization that good things happen to brands.

A realistic understanding on part of the management and staff paves the way for deciding whether to strengthen an existing own brand, refresh it, develop a new one, or acquire someone else's strong brand.

Existing or new, own or acquired, managers face challenges on the road to brand management. You, as brand management students, will visualize and understand the challenges, and have a good grip of the tools at your disposal to meet the challenges and beat them for leveraging your brands.

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Glossary of terms

Category: A category is a collection of similar competitive branded products that have more or less the same features. If there are three players in the area of packaged yogurt, then the respective brands of those three players form the category. The total number of brands may exceed three, however. If imported brands also start making inroads into the market, then they also add to the category.

Sales forecast: An estimate of future demand. Different brands have different forecasts.

Budgets: A summary of probable expenditures and income for a given period (usually a year), embodying a systematic plan for meeting expenses.

Copy: An expression which refers to all the information that we communicate through the ads to our customers. In case it is a TV commercial, you call that the "story board", but the "SB" also draws its essence from the copy of advertising.

Brand plan: It is a planning document that reflects your extensive efforts toward defining the market, analyzing it, and considering all the elements of brand management. It is very strategic in nature and you should be able to develop one by the time you finish the course.

Organic growth: Business growth that takes place because of the internal working of the organisms (different parts) within an organization. The term is used as against growth that emerges as a result of acquisition of a running business.

Bottom line: The last line of the profit and loss account showing net profit or loss.

Stocks: The capital or fund that a corporation raises through the sale of shares; the shares that each shareholder possesses.

Leverage: An advantage that comes through a certain action. In the context of branding, it is the use of various marketing tools to bring your brand to an advantageous position.

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1. *Jean-Noel Kapferer: Strategic Brand Management – Creating and Sustaining Brand Equity Long Term, Kogan Page (15-18)*

2. *Jean-Noel Kapferer: Strategic Brand Management – Creating and Sustaining Brand Equity Long Term, Kogan Page (15-18)*

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Lesson 2

INTRODUCTION

The more successful a brand, the higher value it carries and more equity it enjoys. To learn what is brand equity and how to create it through a brand management process is the objective of this lecture?

Brand Value and Power

Brands, whether grown organically or through acquisitions, have to generate revenues, profits, and net earnings to make businesses viable. The ability to generate financial results rests at the core of brand value and power. It is because of this value and power that brands must be sustained.

Level of value and power differ for different brands. All brands are intended to become great in terms of value and power. Some succeed and some do not.

To achieve a high level of value and power, marketing and brand managers have been working to create home in the minds of their consumers. With the rise in importance of brand management, they have become more and more convinced that the real value of brand is driven by how dear consumers keep a particular brand to themselves. The endearment drives value and value in turn translates into brand power and brand equity.

Before understanding what brand equity is, let's see how varying levels of brand value and power relate varying levels of market leadership and, hence, brand equity. This implies that different levels of power offer different levels of brand equity. The more the power, the higher is the equity and vice versa.

The following pieces of evidence of strong brands were put together by Peter Doyle (1989) from the largest database of business results in the world – Profit Impact of Market Strategy (PIMS).[1]

- Brands with a market share of 40% generate 3 times as much ROI as those with a share of only 10%. A higher share means higher volumes that offer scale economies and, hence, lower costs. Cost optimization on all fronts lead to better margins and returns.
- For UK grocery brands, the number 1 brand generates over 6 times the return on sales of the number 2 brand, while number 3 and 4 are unprofitable. Higher returns on part of the number 1 brand again owe to lower costs, optimum outreach, availability and better sales.
- For US consumer goods, the number 1 brand earned a 20% return; the number 2 earned around 5% and the rest lost money for the same reasons as cited above.
- Small brands can be profitable. A strong brand in a niche market earns a higher return than a strong brand in a big market. An interesting finding, it leads us to believe that concentration on a niche market keeps all variables of marketing mix focused, efforts economical, and returns high no matter the volume may remain small. Managing a strong brand in a huge market, however, demands spread out efforts, more resources employed, but lower returns no matter the volume may remain big. Bear in mind that not all markets offer the opportunity to operate in a niche. Therefore, this finding is not to be misunderstood with not trying to build your brand in a huge market.

These findings explain why companies want to lead by having strong brands with very high share of the market. The stronger the brands, the lower the costs, the larger the returns, and more the power the brands enjoy. Strong brands are assets and enjoy value that far exceeds the value of those fixed assets that produce them. Brands, therefore, have to be managed like vital assets.

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Brand Equity

An understanding of the concept of brand equity helps us define the process of brand management. It, therefore, must be understood before we can put definition in place.

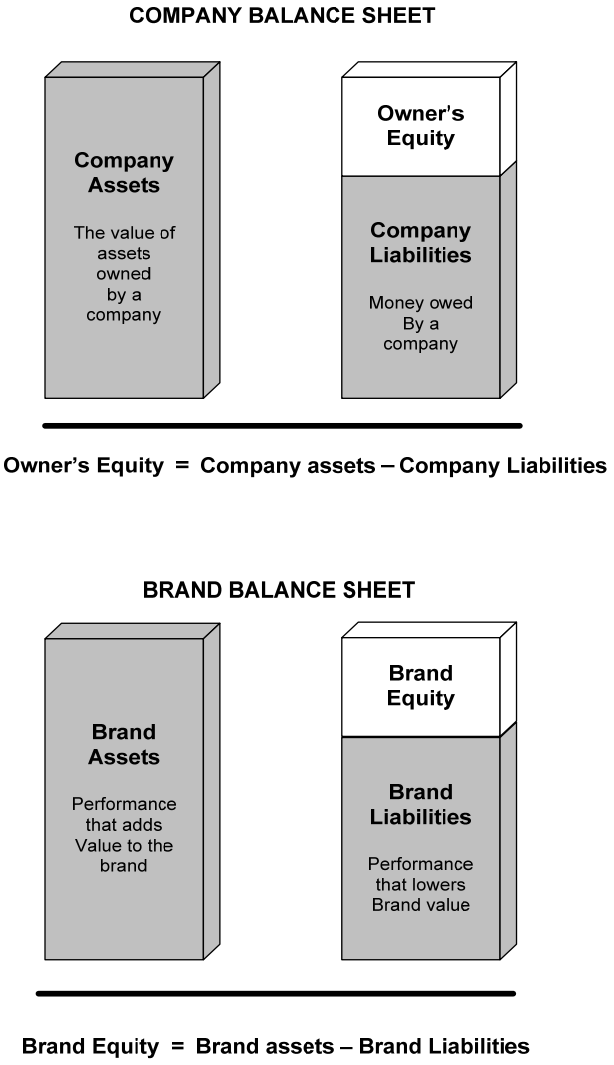
In a business, the owner's equity is the value of owner's holding in the company. And, that is defined as the difference between what a company owns in assets and what it owes in liabilities. The larger the ratio of assets to liabilities, the larger is the owner's equity.

Likewise, brand equity is the difference between a brand's assets and brand's liabilities. Brand assets are a function of *reputation, quality, relevance, and loyalty.* The concept is well-illustrated with the help of the attached figure.

Brand liabilities are incurred by brands because of failures and questionable business practices that may increase costs and liabilities. The larger the ratio of brand assets to brand liabilities, the greater is the brand equity.[2]

In other words, if brand management is at the heart of marketing, then brand equity is at the heart of brand management. With the understanding that we have generated so far, we can now attempt to put together what brand management process looks like.

Figure 4



Source: Best, Roger J: "Market-Based Management" - Prentice Hall

Brand management is "the process of naming products, turning products into brands, and managing brands to fully attain maximum brand equity and a brand's full profit potential." The following figure explains the process as a step-by-step approach toward managing brands.

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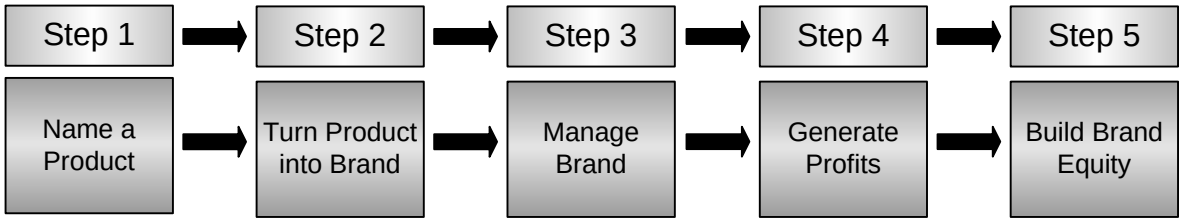
BRAND MANAGEMENT PROCESS

Figure 5



Name a Product

To make your product distinctive, you have to name it as the first step toward the process. There are no hard and fast rules for the name.

A new brand should preferably reflect its positioning. Positioning exists in the mind of the consumer. It is an exercise by the company to offer its product in a way that it occupies a distinct position in the mind of the consumer.

Al Ries and Jack Trout gave the very concept of positioning. According to them, consumers have in their mind a ladder of images in relation to different brands.

The best brand occupies the top rung of the ladder, the position. The follower brands occupy positions at the lower rungs. It should be the priority of any brand manager to have his/her brand positioned at the top rung. You will find more on positioning in lectures number 16 through 20.

Naming a brand could be the company name, a stand-alone name, or an existing brand name with well established reputation.

Another view is to name a brand with its future and destiny in sight at the time of its birth. Future and destiny point toward vision for the brand. You must consider:

- Is it going to be a regional, national, or international brand?
- Is it going to represent one category or will have the potential and power to represent more than one category.

Answers to the above questions will comfortably lead you to go for a name most appropriate for the brand. There could be different strategies employed for the purpose. You will get insights into this area in lecture number 28.

Turn Product into Brand

You need to do consistent hard work to give meaning to the product to turn it into a brand. The underlying aspect of this exercise is differentiation. A brand presents itself in its differentiated form and features for consumers to acknowledge. Without differentiation a product does not qualify to be acknowledged as a brand.

If features allow the brand to occupy its intended position in consumer's mind, the product is deemed turned into a brand.

Manage Brand

The process does not cease upon turning the product into a brand. A perpetual effort is needed to sustain it. Brands go through the rough and tumble of market dynamics. Competition creates challenges for your brands all the time. Management must face the challenges and live up to those by responding professionally, with the help of brand management tools at its disposal.

Management commitment to sustain brands, therefore, is of paramount importance. Brands must be managed keeping in view their value for the consumer and for the company.

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There could be a lot of conflicting and opposing views across functional areas while you manage a brand. All such views must be resolved for convergence onto one point – full support to the brand and brand strategies for achievement of goals. You gain support from all concerned by creating a brand-based culture within the organization. The objective here is to involve people from across functional areas in a way that they end up owning the brand-based decisions. Details of a brand-based culture are discussed in lecture number 41.

Generate Profits and Build Brand Equity

Generating profits and building equity are two steps, but interlocked in terms of their occurrence. A well managed brand is an assurance of profits. Only profits will lead the company into a better competitive position and allow for further moves to reach destination as envisioned by the company. Profits make a brand powerful. Power gives the brand value, which is translated into financial value, and hence equity.

Glossary of terms

Market share: the percentage of current market demand obtained by a business from the category.
Reputation: the perception of the target market about the standing of your brand in terms of its appearance, usefulness, reliability, and durability etc.
Quality: quality as assessed by the market of your brand in terms of how it stands up against competition.
Relevance: a brand must have meaning for its target market. If it does not belong to the target market, it will not sell despite being differentiated. A professional camera has no meaning for an amateur user!
Loyalty: customers are very satisfied, retained and would recommend your brand to others.
Differentiation: distinct features of a product that offer the target market a sustainable advantage that translates into an important benefit.
Brand management tools: all the elements of brand management that you will study during the course to leverage your brand.
Brand-based culture: a work culture that is adopted by all concerned within an organization and the one that is most suitable and conducive for a cohesive team effort. Such a culture preempts many unnecessary conflicts.

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2. Roger J. Best: "Market-Based Management – Strategies for Growing Customer Value and Profitability"; PHI (220-223)

Other suggested readings

Jean-Noel Kapferer: "Strategic Brand Management"; Kogan Page (21-34)

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Lesson 3

BRAND MANIFESTATIONS/ FUNDAMENTALS

To manage your brand as an asset, full of value and power, you must understand a few fundamentals that form the basis of brand asset management. Armed with that understanding, you, as brand managers, will do your job right only if you understand brands correctly.
The following four fundamentals will allow you to develop with ease and consistency the ability to build different strategic steps involved in creating a brand or refreshing an existing one.

- Dimensions
- Characteristics
- Levels
- Brand Owners' Commitment

Foreword to Brand Dimensions

For comprehension of a brand's dimensions, three models are fundamental to any discussion about the subject. That is the first and the foremost thing you have to keep in your mind. Those are:

- Brand identity
- Brand image
- Communication

Brand identity: Brand identity is what a company transmits about the brand to the market place. Identity has many components – the name, the packaging, the colors, the typestyle, the logo, and a host of other factors that comprise its personality. The personality of a brand should be created for it to get expressed in terms of well-defined characteristics. For example, reliable, friendly, durable, and serious etc.
What is most important here is that the company must be able to express the real essence of the product to the target market. Any product, however high on the quality and reliability grid, may not exploit its full potential if it is not expressed right by way of creation of the right compatible personality.
If a brand is to be registered in the minds of consumers as "durable", then the whole identity has to revolve around the aspects of durability. You must not develop a package and related components that convey a sense of "fashionableness". That will be contrary to the personality/identity of the brand.

Brand image: Brand image is a term used very loosely by people outside the sphere of marketing. Changing the image is a favorite topic while discussing brands under distress. But image is not something that can be changed or transformed with the speed we change a color on the drawing board.
Brand image follows identity. It is a reflection of what we projected to send to the public. Managers must be clear about what they want to send and how they want it received. Brand image, then, is something that builds into the minds of the consumers.
To what extent that image is in line with the identity created by the company is the greatest challenge for brand managers! The more the managers can have the market imagine their brand's identity the way it is intended to be imagined, the more successful they are in their effort. If there is a gap between the identity and the image, then there is a need for corrective action.

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Companies' efforts to build the right image span so many different means of communication of which brand's own appearance is a part. Brand image, therefore, is the totality of information, advertising, promotions, and other brand manifestations that the consumer has seen and received about the brand over a period of time. It is, in other words, his experience with the brand modified by certain perceptions, previous beliefs, biases, social norms, and a level of forgetfulness[1].

Due to a finite level of information retention in human mind coupled with the fact that other variables mentioned above modify perceptions, the image on the consumer's side may not be 100% identical with the identity. The reasons can be clarified with the help of the following explanations:

- Your inability to continuously advertise may become one factor putting your brand out of the mind of the consumer.
- Your bias about the origin (from a certain geographic area) of the product may change the product's image in your mind.
- Your beliefs about the way a product should or should not be used may affect product's image.

Communication: The vehicle that transmits brand's identity to the target market for creation of the right image is communication. To ensure that image remains as close to identity as possible, companies get into communications of different kinds. This is where brand communication takes an important stage. Correct communication goes a long way in creating and building brand identity.

In the words of Philip Kotler, "communication is an interactive dialogue between the company and its customers that takes place at the pre-selling, selling, consuming, and post-consuming stages"[2] This implies that communication is a recurring process that starts before you buy (advertising, promotions, and other), remains in force while you buy (the brand itself communicates), and does not end even after you have consumed the brand (brand's ability to satisfy you keeps reminding you of being loyal to it). It goes on and on.

It further means that communication is not restricted to the traditional communication platform, which is advertising, promotions, public relations, personal selling, and also some technologically advanced ways of reaching the consumers through e-mail and internet-based direct marketing. The working of three models can be graphically illustrated as follows:

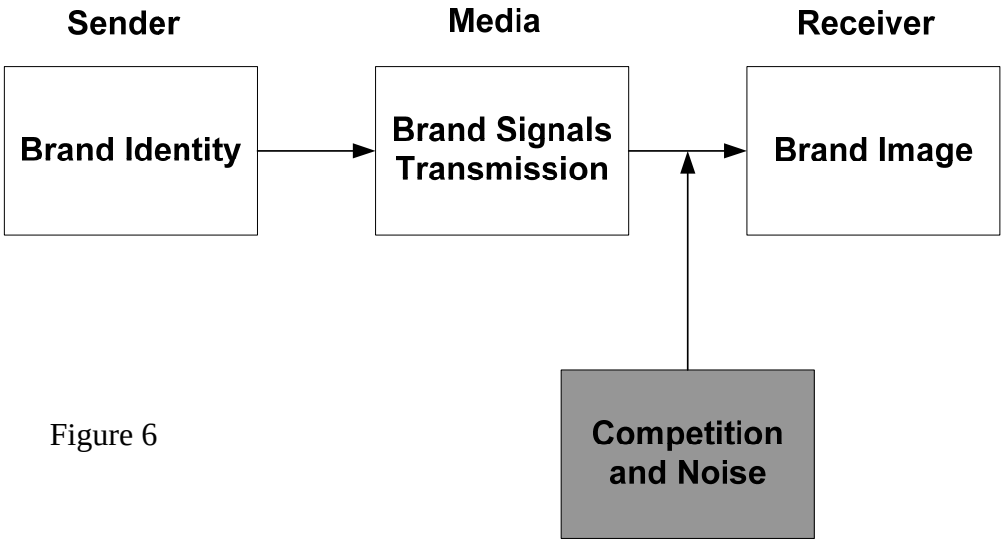

Figure 6

Source: Jean-Noel Kapferer: Strategic Brand Management; Kogan Page

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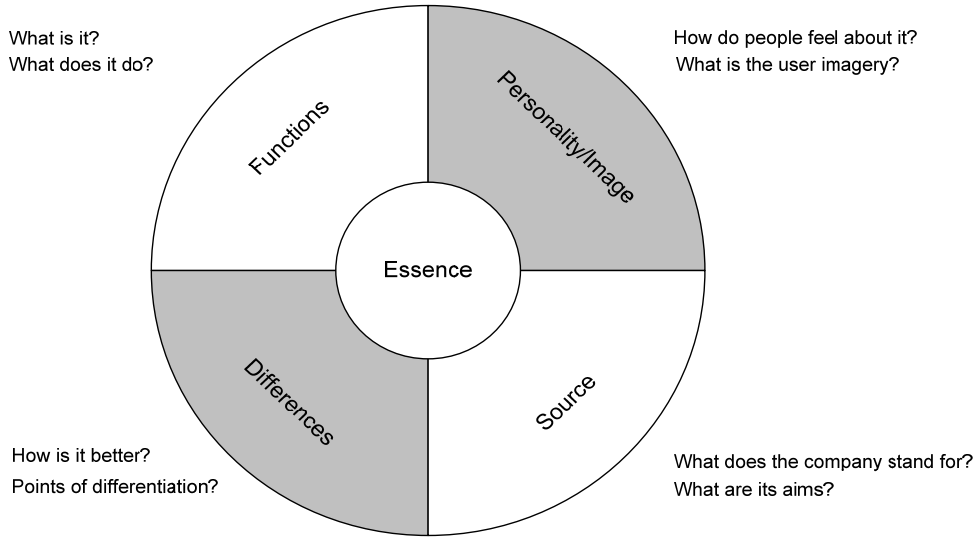
All components of brand's personality discussed earlier also form brand contact points that strengthen or weaken customers' view of the brand, and, hence, work as brand communicators. We, as brand managers, have to assess which impressions can influence the customer's buying process more so that we can direct our communication toward that point.

Brand Dimensions

Having understood the three models, namely, brand identity, brand image and communication, we can go ahead with our discussion of the dimensions of brands, which is graphically represented hereunder:

Figure 7



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Functions: Every brand has a reason for being. If managers have correctly created a brand that fulfills a particular "need" in a convincing way, then their understanding of the brand is clear about what function the brand is going to fulfill.
Functions, therefore, stand for the central purpose of a brand. Why it exists? What need(s) it fulfills? Whose need (target market) it fulfills? Starting point in the process of brand development, the functions are carefully studied before making the decision for brand's introduction. Management must be clear about the value the brand is going to offer its customers and the value it will generate for the company.

Differentiation: In order to fulfill a certain need, a brand has to have a certain level of differentiation, which refers to different and extra features. It is these extra features that attract your target and offer them value.
In the age of fierce competition, the comparison is not between products that are perceived as "passed products" and "failed products". The competition is among excellent products. According to Kapferer, some brands (products) are "more excellent" than others.
Differentiation can take so many shapes and forms. Apart from extra physical attributes of a brand, differentiation may also take place in terms of creative distribution channels and promotions.

The source: The source company is important in terms of its reputation. Consumers as well as trade members who play an important role in promoting brands to consumers gauge commitment of producers that they may have with their brands in light of their reputation, history, and image in the market place.
Two brands of equally good quality by two different companies may not enjoy the same level of following and loyalty. The one offered by a company with strong reputation in all probability will have a better chance of gaining a wider customer base. Businesses must carefully consider this source dimension to continually improve their reputation and leverage their brand(s).

Personality/Image: Personality and image have been discussed in detail as part of identity and image models and offer themselves as very important dimensions of any brand management effort.
The reason for a separate discussion on identity and image models ahead of discussion on dimensions stems from the fact that they are always at the center of any overall dimensional model that may be described differently from the one above. Actually, different authors have explained the dimensional model in different ways with terminologies different from the four dimensions explained above. To understand any models, an understanding of identity and image must take precedence over anything else.

What is of significance is that all the dimensions around the essence have to be consistent and they must complement each other. The more consistent they are the stronger is the essence and the brand identity.

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Glossary of terms

Direct marketing: A direct marketing system is an interactive system without the help of any intermediaries. The seller seeks direct orders from buyers who are influenced by one or more advertising or promotional media.

Brand contact points: All those functional areas that interface with that of brand management, namely finance, production, purchasing and supply chain, human resources, and information systems and technology to name the major ones.

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Lesson 4

BRAND MANIFESTATIONS/ FUNDAMENTALS

The discussion on brand fundamentals continues from the previous lecture.

Brand Characteristics

Brand characteristics fundamentally relate with the value brands offer their customers and create for their companies. Value being at the heart of brands' characteristics necessitates that brands be managed accurately.

The level of accuracy in brand management is reflected by the power brands have. A higher level of power undoubtedly mirrors a higher level of accurate brand management.

Value and power are not a guarantee that brands will not be attacked. Competition will attack your brand by trying to dislodge it or snatch market share from it. The battle will never stop. The question arises, "how to bring in accuracy into brand management in a way that brand's characteristics get enhanced under competitive challenges and threats"? Competitive pressures threaten brands' success and even existence.

Given all that, brands become so very essential to the survival and success of business firms that we need to understand them in all their complexities, so that we can manage them correctly.

A very strong argument put forward by world renowned consultants, McKinsey is that companies need to win the right to brand their products. This simply means that branding is just not about wrapping your product into a nice package and selling that in the hope that you have turned the product into a brand, which is not going to face any pitfalls and rather is going to be profitable and powerful, straightaway – NO! To have the right characteristics, brands have to be subjected to a certain criteria, the consultants have concluded.

The consultants claim that in order to win the right to brand, a company has to meet the following vital criteria.[1]

- The brand must *offer* a superior value proposition
- The brand must *deliver* the superior value
- The brand must *maintain* a relationship with its customers.

If a brand meets the above criteria in all senses, then it can be defined as the one having the right characteristics. The criteria to create and maintain brands are so well-meaning that any company operating outside of them does not have the right to do branding.

This can be further elaborated as follows:

- Brand management is a strategic process and involves complete company effort beyond the functional boundaries of the marketing department. And, therefore, offering value is a function and commitment of the whole company.
- The company must have all its resources at work to deliver superior value, which must be defined in consumer terms. Exactly how the company delivers value varies from company to company. It could be superior technology, lower cost, strength in distribution, history of the brand, and creative advertising. Anything defined in consumer terms will automatically translate into something valuable for the company as well.
- The brand must have a continuing relationship with the customers, and the brand must adapt to changes in response to fierce competition yet meaning the same to its loyal customers.

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Brand value at the core of brand characteristics

- Brand characteristics offer us an opportunity to explain what brand value means to consumers and how a brand creates that value. Bear in mind that brand value is at the center of brand's characteristics.
- The consumers must feel that they are getting full value for the money spent in terms of quality. The value has to be more than the generic product. Right branding adds value to the product. Reconsider the definition of brand management.
- They must feel that the purchase of a certain brand has optimized their decision of buying the best brand in the category. It is a subjective value, but nonetheless should be created.
- They must get confirmation of the self-image that they present to others.
- They must get satisfaction out of the attractiveness of the brand.
- They must get satisfaction from the responsible social behavior of the brand in terms of ecology and other ethical issues.

- A brand also creates value for the company.
- A strong brand works in the same way for the company as for the consumers. It assures the following:
  - Good future sales
  - Good future earnings
  - Good future cash flows
  - Source of good future demand and lasting attractiveness
  - Strong entry barrier to competition
  - Carries its value into other markets - local as well as international
  - Carries its value into other business categories i.e., new product areas and, hence, offers economies of scale in advertising, promotions, and other marketing-mix variables

Layers/levels of brands

Brands are offered in lines, mixes, stretches, and extensions. Behind every form of a brand are strategic considerations. Such considerations form brand architecture, which is a topic of detailed discussions in lectures on brand extension and brand architecture (lectures 21 – 28).

It owes to strategic considerations that brand managers decide whether a brand should form a product line as a stand-alone brand, a company-name brand, designer-name brand, or an extension/stretch of an existing brand name.

The decision to name a brand into any one of the above-mentioned classifications has one fundamental common to all – the relationship between a product and a brand. An understanding into developing that product-brand relationship leads you to build up the right branding strategies. This implies you will then be able to define different layers of brands (lectures 21 – 28).

Commitment of top management (Brand owners' commitment)

We are clear how brands create value for the consumer and the company. We must also look into how a brand generates its own value to be able to create value for its two beneficiaries, namely the consumer and the company.

Actually, a brand does not generate its own value; it is the commitment and quality of brand management that builds up value of a brand over the years.

Companies that believe in continuously maintaining value of their brands and adding further value to them are the ones that view brand management as strategic objective and never lose sight of that goal.

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The concept can be explained graphically with the help of a value interface. If you come to think of it there are brands on the international market as well as our local one that have been around since the early last century – the examples are from the beverage, tea, smoking, and other industries. You can create a list of your own.

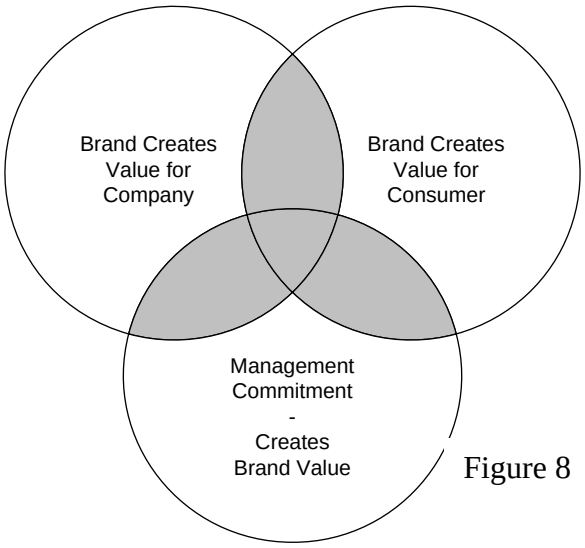

Figure 8

Such brands have their longevity owing not to accidents. They owe that to commitment of their managements that have been investing into manufacturing and marketing areas:

- In manufacturing for the purpose of innovations and adapting to changing consumer tastes, maintenance and improvement of quality – and
- In marketing from the distribution and advertising viewpoints. The whole exercise is expensive!

That above explains:

- Why companies invest into brands and manage them prudently over years and years?
- Why acquiring companies are willing to pay a high price for established brands that are leaders in their own right?
- Why is it tempting to buy brands than to build them from scratch?

The answers to all the questions converge on one point – create value for the consumer and the company, which is possible only if management is totally committed.

Summary – Lectures 3 and 4

Understanding brand fundamentals is important to develop an understanding into the strategic process of brand asset management. Fundamentals manifest themselves in four different forms – dimensions, characteristics, layers, and commitment of management.

The concept of brand identity and image are central to the dimensions of brands and lays the very foundation of what we want to create and how we want that creation imagined at the consumer's end.

We can also say that if brands have consistent dimensions and strong characteristics, then they offer superior consumer value. Value to consumers get translated into value to company.

What really constitutes superior consumer value is a deep understanding of the consumer. Managers must put themselves into the shoes of consumers /customers and think how the latter think and react to different brands and branding decisions.

The whole company has to work as a monolithic whole when it comes to supporting the right branding decisions. The company must remain committed to good quality. Quality here means the quality as perceived by consumers.

The company must also provide differentiation. The whole point is to create customers. And, nothing would work more effectively than having a point of difference as compared with competition.

The company must support the brands through investment into production processes, research and development, continuous innovation, advertising, and human resource development. No brand can survive for long without the active support and total commitment of the management.

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Bibliography

1. Geoffrey Randall: "Branding – A Practical Guide to Planning your Strategy"; Kogan Page (2)

Suggested readings

1. *Geoffrey Randall: "Branding – A Practical Guide to Planning your Strategy"; Kogan Page (chapters 1 and 2)*

2. *Jean-Noel Kapferer: "Strategic Brand Management"; Kogan Page (chapter 1)*

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Lesson 5

BRAND CHALLENGES

If brands are strong and powerful, they also face challenges regarding sustenance and growth. These challenges vary in degree and intensity for various markets.

The basic determinant of challenges is the level to which a certain market is mature. Maturity holds the key. If a market is very mature, the challenges are intense; if a market is less mature, meaning still growing and robust, the challenges are less strong.

Markets become mature due to overall purchasing levels reaching a plateau. This simply implies that demand in the category is no longer elastic and has no further room to grow. And, the consumers are buying various brands in a certain pattern of frequency and quantities which are optimal and, hence, their buying behavior will not give further impetus to overall growth of the category. We can also call it maturity of the economic cycle.

Under the circumstances just explained, markets seem to lose vitality in terms of growth, but not in terms of availability of loads of products. This can be further simplified by saying that the size of the pie reaches the most optimal level from where it does not increase unless there is growth in population. Whatever changes take place they take place within the pie in the shape of competitive wars.

Competitive pressures and wars have led to a few difficult situations that companies have to face as challenges. The following are the typical ones:

- Brand proliferation
- Consumer revolt
- Retailer power
- Media cost and fragmentation

Brand Proliferation

Owing to the reason of low growth, the classic response of marketing people has been (and is) to develop new brands or extending/stretching existing brands into different varieties. Brand extension and stretching essentially is an exercise meant for having different varieties of products under the same brand name.

In trying to do so, marketing people may not create products that really are new. That is, an inevitable response to the dynamics of markets may not generate a real new product for the simple reason that innovations do not come by so very easily and frequently.

The result has been a variety of products that are very similar not having differentiated features that can attract consumers. Creating distinctions without differentiation does not make a product stand out and convince consumers to go for it.

In many instances, products carry the label of “new” indicating new features. But those are not recognized by consumers as really new. The result is “irritated consumers” who think their buying decision has been made complicated into an unnecessary effort. The net result is no increase in sales.

To meet this challenge, manufacturers have to introduce products with real meaningful added features that can be perceived as “performance benefits” and not just cosmetic changes.

Consumer Revolt

Because of the little differences that are not found meaningful, the consumers are not willing to pay premium prices in most of the cases until real performance benefits are perceived by them.

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The manufacturers find it hard to amass profits. For this reason, marketing departments get under pressure to produce results. Such pressures lead them to get into the following options:

- Introduce more brands
- Introduce brand extensions
- Advertise or promote existing brands

The net result of introduction of more brands and extensions is high expenditure with no guarantee of increased sales with good profits. Actually, it leads to proliferation with no new benefits to consumers. Consumers' unenthusiastic attitude to buy as much as companies would wish is tantamount to a revolt.

The option that is most widely used by brand managers is to promote the existing brands with the help of some attractive promotional features, like "buy-one-get-one-free" or something similar.

The promotional schemes, in other words, come into being not so much for adding value to brand with a long term perspective, but rather stem from short term pressures of increasing sales in competitive markets.

Experience has shown that promotions have a short term effect, but are damaging in the long run. The costs are high and the results do not have an element of permanence. Promotions are discussed as part of the communication strategies in lecture 35.

Retailer Power

Here, retailer exploitation comes into play. Knowing brand managers being under pressure, retailers like to keep them under pressure for promotions that suit retailers more than anyone else in the trade sections.

Growth of brands has given rise to retailing all over the world. With retailers' concentration, the balance of power between the manufacturer and the retailer has tilted toward the retailer.1 Whether it is introduction of new brands or promotion of the existing ones, marketing people find retailers existence in either case extremely significant.

The pressures mount and brand and marketing managers find themselves pressed from two fronts – internal (finance and top management) and external (retailers).

Media Cost and Fragmentation

The style of mass advertising campaigns of yesteryears does not hold too strong a ground. It has become too expensive to go national on the TV network with no specific plans for points of attack and reinforcement in relation to brand's potential in different areas. In other words, marketing people should concentrate on those areas, which offer better prospects of brand's growth.

With technical advancements, number of channels has increased manifolds. Developments of cable and satellite systems offer enormous choices, with the help of which you can reach fragmented audiences.

Under such circumstances, it has become challenging for brand managers to be practically aware of the media costs and the effects of fragmenting a TV campaign. Not only that, they also have to be able to plan an integrated communication campaign with various tools of communication at their hands. The managers have to capitalize on the factor of fragmentation and align their campaigns accordingly.

Summary of the overview

We have seen what a brand is, how it differs from a generic product and what it takes to turn a product into a brand. With that understanding the definition of brand management makes sense in all its manifestations.

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There are a few fundamentals that are at the heart of brand management. Of those, dimensions, characteristics, and layers of brands are very central to the concept of brand management, while commitment of management is the cornerstone of the development process. Management has to stay committed all along the road to the destination.

Good and committed management creates brands full of value and power. Management creates value for the consumer and for the company through good brands.

Despite having value and power, brands are vulnerable to competitive attacks. The road to destination is full of challenges and threats. It again is the responsibility of good management to face those challenges through practical decision making. Decisions made on realism reflect the level of your ability to cope with the dynamics of the market. Any shortcomings that may come to the surface offer you opportunities to gear up against the odds and come out as winners – whether it is a question of growth in a stagnant market, dealing with powerful retailers, or circumspection required to come up with an optimal, integrated communication approach.

Very macro in its nature and form, the preceding overview is essential for your basic understanding before we embark on the strategic process of brand management.

Strategic Brand Management Process

With the overview in place, we now move on to the strategic process as it emerges while you develop a new brand or sustain an existing one. For the sake of consistency of tutorial, the brand management approach is going to be a reflection of the process explained by Scot Davis in his book "Brand Asset Management". All the chapters are included in the tutorial. There, however, are a couple that are added for your benefit.

The understanding will come into a better light if viewed from the standpoint of developing a new brand. Comprehensive in nature, it will automatically point out the measures needed to refresh an existing brand, whenever and wherever the need arises.

Vision

The point of departure toward the process is to have a clear vision for your brand. Vision should not frighten you, for it is not something poetic or philosophical that you may consider only blessed ones having been endowed with.

If you are a person of average intellect, that most of us are, then you should not have any problems developing a vision. It is all about where you want to see your brand at the end of a certain period of your definition. In very simple words, vision is the journey from here (present) to there (future).

Being the brand manager, you are responsible for the destination planning of your brand in terms of its future movements relating, for example:

- The volume
- Share of the market
- Markets to serve
- Distribution improvements
- Quality parameters and benchmarks
- Overtaking competition
- Product innovation or extension, to name a few

With the vision in place about your brand's movement, the next step for you is to take top management into confidence. The top management is extremely interested in the planned brand's movements as envisioned by you and your department.

If the top management has an overall vision, then the brand vision should automatically fit into that. The brand vision, therefore, is an extension of the overall business vision. It flows out of the latter.

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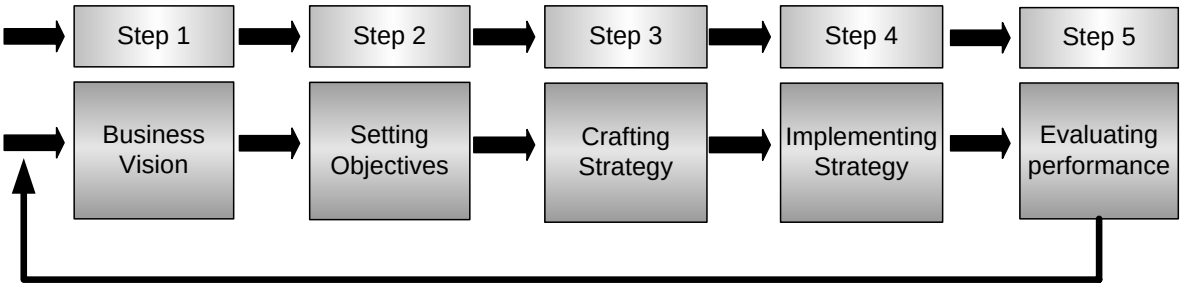
Brand vision tells us about a brand's growth and future direction. It is the most important statement before we undertake the strategic management process. It tells us how our brand is going to help the company achieve its goals – financial and strategic.
Before going any further, it is important that we learn how the strategic management process (SMP) works! An understanding of the basics of the process will allow us to easily fit the vision into it and then see how to proceed with every successive strategic step of importance.

Consisting of five steps, the SMP can be explained easily with the help of the following figure:

Figure 9

Strategic Management Process



The figure being self-explanatory, it explains that forming the vision is number one task, followed by setting objectives (both financial and strategic), crafting the right strategies to achieve designated objectives, implementing the crafted strategies, and evaluating performance for any corrective actions or adjustments anywhere along the sequential process.

Very early in the strategy making process, managers ask themselves the question:

- What is our vision for the company?
- Where is the company headed?
- What kind of enterprise we want to build?
- What should be the company's future make-up?

A careful analysis of and answers to the questions lead them to conclude:

- Where the company stands today and where should it reach in say 5 to 10 years? This addresses the question of reaching from here to there!
- What businesses they should be handling? This relates whether they should extend their brand into similar products, or diversify into unrelated areas.
- What customers should they serve? Decision about extension or diversification will pinpoint the target customers.
- Do they need more brands to serve more businesses? This indicates whether they should be keeping their existing brand name or go for new ones.
- What capabilities and resources they need to have to achieve all that they envision? A very careful analysis of what is it in terms of financial, human, and technological resources that they need to succeed is required here.

The above analysis creates organizational purpose and identity and form very clearly the "VISION" of the company. You can feel from the discussion how important it is to have a clear vision for the company and, also, how closely related that is to creating vision for the brand!

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Key point

An understanding on your part of the SMP is important in that you must appreciate the elements that top management considers toward company's business planning. That will enable you to better integrate your function of brand management into the overall business whole.

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1. Geoffrey Randall: "Branding – A Practical Guide to Planning your Strategy"; Kogan Page (37)

Suggested readings:

Thompson Strickland: "Strategic Management - Concepts and Cases"; McGraw Hill (27-36)

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Lesson 6

STRATEGIC BRAND MANAGEMENT

Mission

A mission statement speaks of the present form of business, the products it is dealing in, the customers it is serving, and the areas in which it is operating etc. In other words, a mission is all about achievement of present objectives.

It also talks of the commitments and values that are needed to let the company achieve its objectives. It does not speak beyond that. But, the process of strategic management does not stop there. It makes it imperative that managers see beyond the mission, or the present, to determine a long-term direction that the company must take for tomorrow. Nothing is static. The dynamism of the market necessitates that managers must see the impact of:

- changing technologies
- changing lifestyles
- changing needs of customers
- changing benchmarks of quality, and
- changing competition and overall conditions

They have to make some fundamental choices about where they want to take the company and how that evolution and transformation will take place. Such choices form their vision of the company and supplement present company mission with factors like

- future business makeup
- product line, and
- customer base

These factors form the foundation for brands and branding. They are closely intertwined and lead you to form the right branding strategies. It is from that point of view that brand managers must understand the subtleties of the vision and the mission of the company.

In case a company's mission statement talks not only about its present, but also future, then the mission merges into the strategic vision and we can say the mission is future-oriented. Mostly company mission statements are more concerned about their present business than their future one.

The conceptual distinction between vision and mission, therefore, remains relevant. A clear vision of future business and strategic direction is a prerequisite to strategic leadership. It steers the whole company toward the desired destination.

Nothing could direct the company better toward that destination than having good strategic leadership. And, nothing could give brand managers better insights into developing brands that really fit into the strategic vision of the top management.

Setting Objectives

After vision and mission are in place, the next step is converting those statements into specific objectives. Performance of all managers is measured by the level of achievement of those objectives.

Any organization setting itself ambitious and bold objectives become aggressive in its pursuits. Ambitious and bold should not be misinterpreted as unrealistic. Organizational capabilities must be considered before setting realistic objectives.

Targets

Toward achievement of objectives, all managers across the company must get targets that can be measured. Targets broken into divisions, departments, and then units develop a result oriented work culture. It improves work performance with no confusion about who is supposed to do what and who is stepping on whose toes!

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The collective achievement of targets helps the company to achieve its mission and assure fulfilling its vision.

Types of Objectives

Following are the two major types of objectives set in a typical organization[1]

- Financial Objectives
- Strategic Objectives

Financial Objectives deal with

- Revenue growth
- Earnings growth
- Return on investment
- Dividend growth
- Share value appreciation, and
- Positive cash flow etc.

Strategic objectives deal with

- Winning greater market share
- Overtaking competitors on quality
- Staging innovations
- Cutting costs
- Creating and sustaining technological leadership, and
- Capturing growth opportunities etc.

Both financial and strategic objectives are set in short and long term basis. The job of managers is to achieve both in order to improve competitive strength of the company. While short range objectives keep the managers involved in accomplishing the mission, long range objectives prompt them to think what to do next to achieve company's vision.

Crafting a Strategy

Strategy is crafted in compatibility with the stated objectives. Objectives are the "ends" and strategy is the "means" to achieve those ends. Strategy deals with "whether to" and "how to" areas of the management process and seeks answers to the following kind of "whether to" and "how to" questions.

- Whether to concentrate on one business or diversify?
- Whether to serve a large number of customers or operate in a niche?
- Whether to have a narrow product line or a wide one?
- Whether to achieve competitive advantage through lower costs, better quality, or unique features?
- How to respond to competitive pressures?
- How to respond to changing preferences?
- How big a geographic market should be?
- How to grow the organization in the long run?

The "whether to" and "how to" aspects relate to branding strategies as much as they do to overall business. If you come to think of it, many of the questions fall within the area of brand management.

Implementing Strategy

The fundamental is to assure "what are and should be" the means at management's disposal to achieve what is envisaged. Implementation is all about what must be done to achieve the desired performance goals by putting strategy at work.

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Proficient execution consists of the following key aspects

- Building an organization and developing a culture of motivating people by instituting reward systems.
- Developing budgets and steering resources into strategy critical areas of success.
- Installing information and operating systems.

Evaluating Performance

What has been set as objectives and targets have got to be evaluated to see if management is really moving along the path it envisioned for itself! Movement identical with the planned path is generally not possible. If performance is above par, then it is not bad. If not, then the following questions have to be considered:

- Change of strategic direction
- Business to be redefined
- Vision changed; narrowed or broadened or revised altogether
- Performance standards to be lowered or raised

It is clear that all the above considerations relate modifications and adjustments in the strategic frame work.

The Brand Vision

An understanding of the strategic management process makes it amply clear that a company cannot carve its future path without accounting for its brand(s). Brands lay the foundation for *fulfillment* of the vision and they also serve as the keystones for *sustaining* that fulfillment.

If brands help the company achieve its strategic and financial goals, then a brand vision must flow out of the company vision. The overall vision must specify the way the management looks at the brand future in the long run.

Brand future refers to

- markets and market segments to be served
- quality improvements to be achieved
- envisioned changes to be met
- investments to be made, and any other factors that address brand movement in times to come

The Brand Mission

Clarity of vision leads management to state the mission, that is

- What customers the company serves?
- Why it serves?
- What geographical areas it serves?
- What benefits it provides?
- What kind of results it envisages to achieve:
    - Sales
    - Profits
    - Market share

Values

Values are a set of virtues employees should share. Those are described as[2]

- integrity
- trust

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- honesty
- commitment to quality, and teamwork etc

The vision and the mission for the brand are embedded in the values a company has and cherishes. The conduct of a company in relation to the market and all stakeholders is a reflection of the values the company harbors. You must have heard about Japanese work ethics having deep roots into the Japanese cultural values. All their businesses, therefore, are an evidence of those values in the form of good quality products.

It has been observed that companies that explicitly state their vision, mission, and values to uphold what they want to achieve in the short and the long run are successful in

- Having high market shares
- Good profitability
- Good level of leadership

And, hence, succeed in fulfilling their mission and vision.

Why brand vision?

Scot Davis makes a statement that not many companies go by the process of having a vision[2]. Such companies are committed to brands but leave much to be desired, he maintains. Subsequently, they keep changing strategies, as desperate moves, from time to time with the result that the brand never gets the desired support.

Lack of proper support could be

- Less market investment
- Less manufacturing investment
- Less human resource investment

The net result is that the company cannot fulfill what could have been the right vision and mission, a sure indication that it is not upholding what should have been the right values. You may like to relate this with brand future discussed above and then develop linkages between the two.

Summary

Vision relates the future; mission is all about the present. The strategic management process starts with a company having a vision about where it wants to reach in foreseeable future. The vision is then transferred into the mission of the company, which essentially is the company's ability to reach for the immediate goals relating the present and immediate short-term period.

Strategies are the game plans companies need to have to defend themselves against the ever-present hostile competition. The defensive mechanism is translated in terms of different strategies to accomplish the mission and lay ground for fulfillment of the vision. It needs to be clarified that offensive strategies, at times, provide the companies with the best defense, lest you misunderstand that strategies are always defensive.

The company vision leads to brand vision and mission. Coupled with good values on part of all employees, companies move to accomplish their missions and fulfill their visions.

Since brand vision rolls out of the overall company vision, it is of high significance to learn how it happens and why there are tremendous consistencies between the two.

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1. Thompson Strickland: "Strategic Management - Concepts and Cases"; McGraw Hill (37)

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Lesson 7

BRAND VISION

Purpose of brand vision

To earn the right level of profitability, you have to leverage your brand rightly. It is here that we start treating brand as an asset and manage that asset by having a vision.

Vision fulfills three basic purposes[1]

- Consensus among management
- Commits company to research
- Mandates telling all stakeholders

Consensus among management: A bottom-up approach, it extracts understanding and consensus from management about brand's contribution. All concerned with the brand give their input regarding brand's potential and an effort is made to have all of them committed to the respective tasks they are to perform toward brand's contribution.

Brand vision brings management to a platform from where they all have to agree what level of growth the brand will generate to fulfill company's objectives. It is not a function limited to the boundaries of marketing management; it is an objective for total management to agree on one point – brand's reason for being (why it exists?) and its potential toward profitability.

The question of why the brand exists entails detailed discussion on many exciting areas of marketing, which will be touched upon from time to time in their proper perspective throughout the course. What it essentially means is the "fulfillment of a particular need" of customers. Identifying the right need and then committing yourselves to fulfill that with the right product takes you on the journey of starting with a vision to complete development of the brand.

Commits Company to research: Consensus leads management to initiate research on so many vital research projects. Because of the commitment, no one wants to make decisions without any solid basis. The tendency to make assumptions on the ground that we know the market well and therefore there is no need for research should be avoided. Only research provides the company with grounds like:

- Customer attitudes and usage
- Brand attributes to maintain and change
- Segmental changes; multi-segment brands
- Geographical changes; new categories etc.

The list is not exhaustive. It can be much longer depending on the needs of the company at any given point in time.

Knowing customers' attitudes offers insights into product build-up, service requirements, and any other fulfillment of customers' requirements. Maintaining or changing product attributes relate responding to changing needs, preferences, and competitive pressures that exist and the ones that are anticipated.

You can also determine the differences among different offerings of the brand as perceived by your consumers in different segments of the market. You can make decisions about which segments are more attractive and which are less attractive. That may also take you into what geographic areas to be emphasized more in relation to strength of different offerings. Brand strength may lead the management to start considering introducing its brand across categories. What is it that took Nestle from milk to yogurt to juices to chocolates? This is a good example of going across categories.

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Management can either stick to its vision and plans or change it according to the findings of market research. As you go along the learning path you will realize that almost at every step you can undertake a research project. Research does not have to be tedious, cumbersome, and expensive. Small and simple research designs can lead you to verify your hypotheses as the need emerges.

Mandates telling all stakeholders: Since vision is well thought-through and shared by all in the company, it mandates that management tell all stakeholders to know and share it as well. Sharing the vision means that stakeholders will also know the objectives that are a reflection of the vision.

The present day's competitive pressures have made the day-to-day management very fast paced and, hence, prone to dynamic changes and adjustments. Information on past performance, recent trends, and research findings present a strong case for the brand plan and vision. Having support from all stakeholders toward your brand objectives makes the job of management less difficult. It also keeps the blame game and finger pointing from taking place if things go wrong. Going right strengthens management's confidence.

Let us now try to develop hypothetical vision and mission statements of a fast food company that is planning to enter the category of fast food. The exercise is intended to take you through a case that offers an opportunity of developing a practical understanding of the concepts.

After you feel comfortable with the learning process, you may like to develop similar statements of any business you may envision yourself handling or heading.

Vision Statement of a Fast Food Company

"The company will enter the fast food category by introducing a range of quality sandwiches with brand name XYZ; the sandwiches will have health-food-appeal for lunch time in particular and anytime later in general. It will price the entries within the consumer friendly range to optimize the number of customers, who are professionals within the age bracket of 20-50 years. It will attempt to reach its potential customers at their door step and always stay close to where they are".

As is clear from the statement, the company's business model will be based on three fundamental factors of

- High quality
- Affordability
- Accessibility

The basic objective of this statement is to emphasize the point that vision relates the future. The statement talks about the nature of the product and how it envisions entering the category with consumer-friendly pricing within the target market. *(The statement is a little longer than the usual vision statements. It is designed to basically enhance your ability to develop one independently).*

We shall be referring to the implications of this statement frequently to see that every thing said in the statement has a meaning in terms of brand management. The figures 10 - 12 exhibit the translation of consumer-friendly pricing as it fits into the market gap that will allow the company to optimize its sales.

We can sum up the components of this statement into the following:

- It explains the overall goal of the brand
- It defines the target market
- It underlines the need to have differentiated sandwiches
- It makes it easy to translate the above three components into financial goals

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If you think that XYZ has to create more than one sandwich with different taste profiles in order for its customers to have choice, then your thinking is practical. If you think that XYZ should deliver sandwiches at the doorstep of its customers, then your understanding is correct. And, if you think that XYZ by saying "close to where its customers are" should also create its own restaurants, then your vision is comprehensive about the future business make-up. Should you also think that the statement will have implications in terms of specialist personnel to operate restaurants; your vision is then absolute and totally inclusive about the nature of business.

Mission being the business at hand, the statement will look like the following:

Mission statement of XYZ

"XYZ's mission is to develop a team of delivery personnel conversant with the job of delivering food with high efficiency and low operational costs. Part of its mission is also to simultaneously develop fast food outlets with appealing but economy-driven architectural features, from where it can serve its customers through highly-trained and motivated crew."

We are assuming that XYZ has in place all requirements fulfilled for the right human resource for sandwich making and purchasing on daily basis of the requisite supplies. Sustaining the operations through excellent systems and procedures are part of the development process.

Brand Value Statement

"XYZ professes integrity of character, conscientiousness of work ethics, quality consciousness, and mastery of skills as its basic values."

To have the quality of sandwiches as envisioned by XYZ, it is important to have the staff inculcate the declared values. It should take special training sessions and periodic refresher meetings to renew company's commitment to the professed values.

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Price-Quality Index - PQI
XYZ vs. Competition

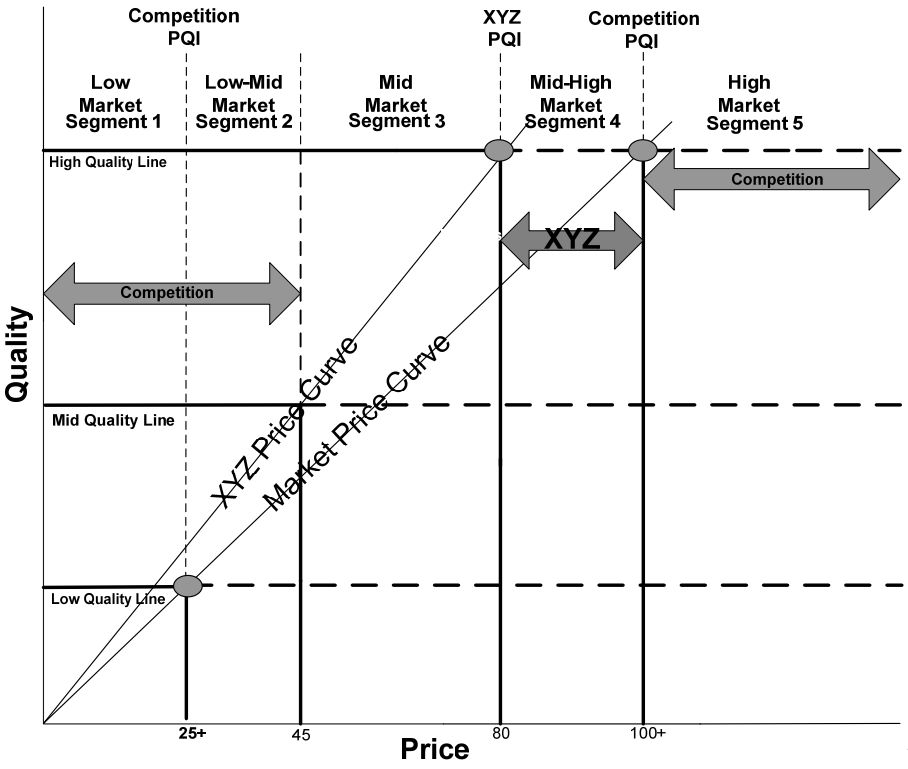
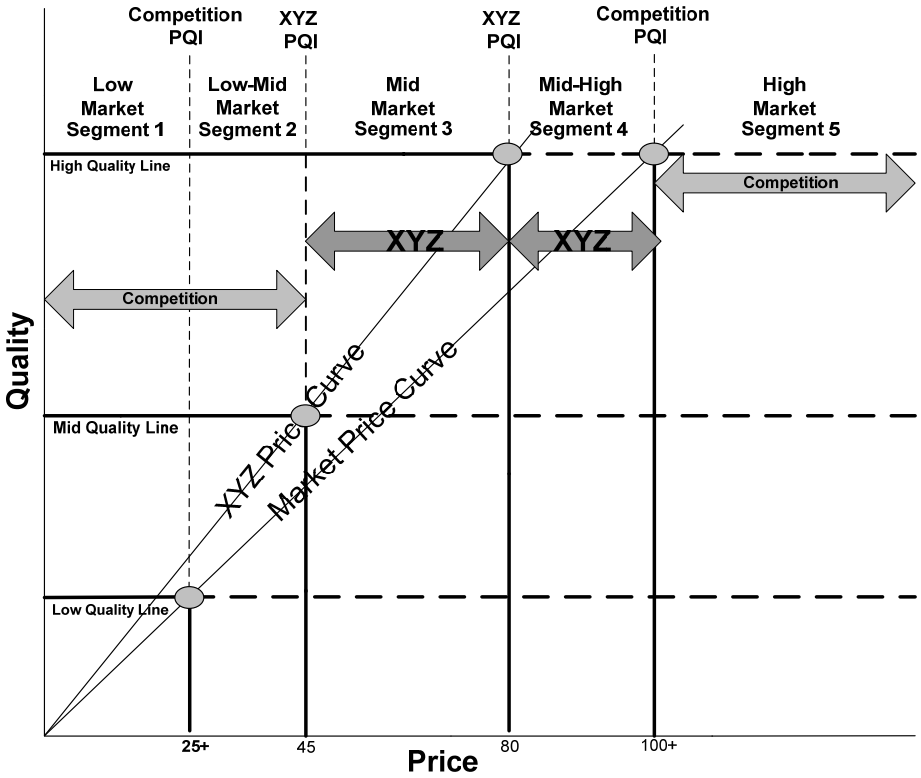


Figure 10 above
Figure 11 below



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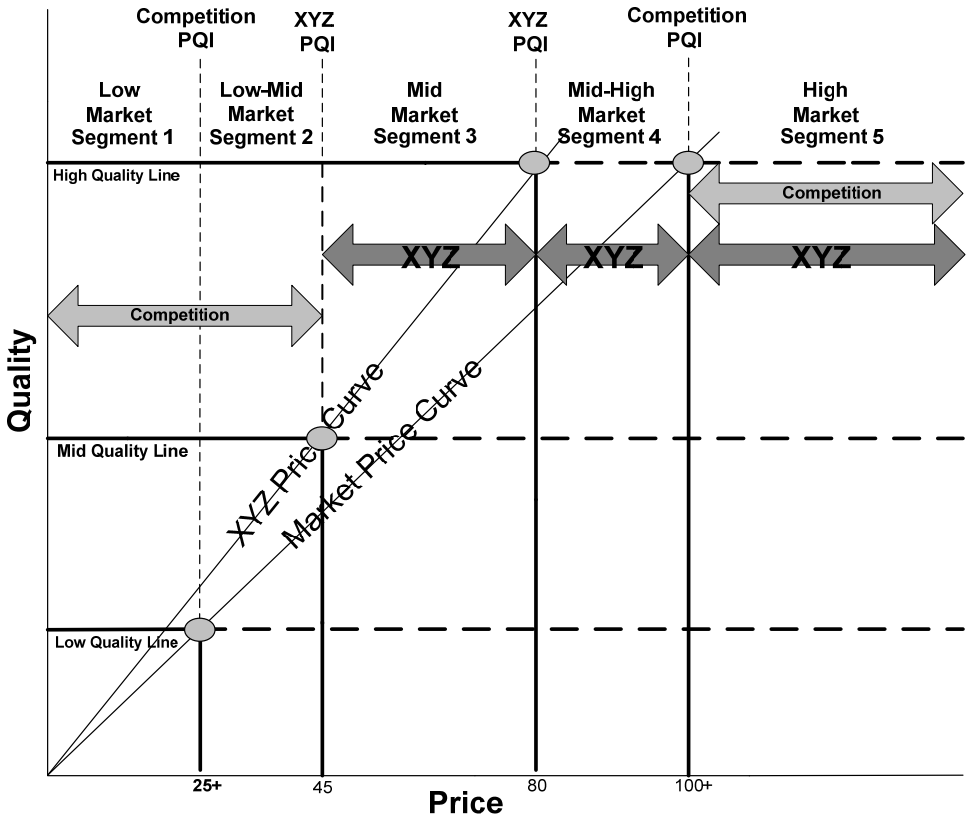

Figure 12

The three figures show a grid representing on the x-axis five segments of price and on y-axis three levels of quality. The intersection of the price line and the quality line represents one particular price-quality index that basically defines one particular segment. You can have as many price lines as you may deem representing the actual market situation.
XYZ makes an entry in "mid-high market segment 4" (figure 10) and later plans to enter with different offerings into "mid-market segment 3" (figure 11) and "high-market segment 5" (figure 12) later on. The strategic moves are a translation of the vision the company developed for itself. Workings on the moves as are evident from the figures are all about company's mission and strategies that flow out of the vision and mission.

<u>Key point</u>
Vision generally represents a time frame of 5 to 10 years. Once translated into mission, it stays intact for a couple of years or more. It is said that a mission statement should not be changed before two to three years approximately.

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Glossary of terms:

Contribution: Contribution margin is the gross proceeds after deducting the direct variable costs a company incurs on making a product. The higher the contribution, the greater the potential the brand has to lift the business toward the breakeven point.

Brand attributes: Features of the brand that characterizes brand's personality.

Offerings: An introduction of a product, or a product; generally, it is used owing to brand extensions. If a brand has more than one extension, for example regular yogurt and the one with higher calcium, then the brand has two offerings.

Stakeholders: All those individuals and entities that have stakes in the business. They may not be shareholders, but they are affected by the performance of the company in one way or the other, for example banks and suppliers of raw materials.

Business model: The strategic frame work on which rests business' strategic moves.

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1. Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brands"; Jossey-Bass, A Wiley Imprint (38-39)

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Lesson 8

BUILDING BRAND VISION

Brand vision must be written down as a statement like the one we have for the fast food business. The question is how to build that statement, for it has implications for so many areas, the prime one being finance. You need to commit yourselves to pre-production expenses followed by full-fledged production, marketing, and other areas. Reaching the vision, therefore, is very serious and cannot be the decision of just one manager.

It is a systematic process that involves people from the top management right down to the level of brand managers. Development of the vision leads brand management to develop the right picture for the brand. It is a four-part approach as expressed by Scot Davis[1].

1. Seek senior management's input
2. Determine the financial contribution gap
3. Collect industry data and create a brand vision starter
4. Meet with senior management to create the vision

1. Seek senior management's input

One of the top responsibilities of senior management is to develop business. Their view of the products to be introduced is important. Brand managers should talk candidly with senior management about their opinions.

Senior management's perception of their brand's role toward brand's growth, in overall growth, and how far the brand will go should be shared by asking the following kind of questions:

What markets, business lines, and channels the company will pursue? Markets can be defined in terms of needs, segmentation, and geography. Company XYZ can look at its markets in terms of fulfilling needs of children in addition to just the lunch market of professionals. That will take the brand managers into the area of segmentation and development of brands belonging to those segments.

XYZ may also consider expanding into different geographic areas to make its outreach effective. The company, in all probability, will consider reaching its customers through restaurants (in addition to serving them at restaurants) and supplement selling through delivering direct to nearby customers at peak as well as odd hours.

What are the financial and strategic goals of the company? The brand managers must share with the senior management company goals in terms of financial returns and other strategic goals like share of the market and brand's standing against competition.

What do they think are strengths and weaknesses of their brands? The senior management must be honest in pronouncing the strengths and weakness in relation to competition. The realistic spelling out of strengths and weaknesses by them will allow brand managers to be proactive in capitalizing on strengths and safeguarding their position against probable threats. They will (brand managers) come up with strategic moves keeping reality in view.

How to reinforce strengths and rectify weaknesses? An extension of the preceding question, the answer will allow brand managers to look into the areas needing reinforcements either through perpetuated communication campaigns or boosting their channel capabilities.

The answer to this question will also allow you to overcome weaknesses with the confidence that all in the company view them from the same angle.

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What resources the company is willing to deploy for supporting the brand? The support to the brand has to both strengthen its position and rectify weaknesses. You should get incisive insight into the matter of where you need the support – overall financial support, advertising and promotions, human resource, or investment into channel development and equipment etc.

Companies always have finite resources. It is important to understand the senior management's perspective and then match it with yours for the right development of vision with no gaps.

Will the company be able to achieve its objectives? If not, why? If the management is confident of supporting the brand and has all the resources in place, then the chances of achievement of objectives should be bright. If not, then the whole exercise may end up in futility. It is at such a juncture that you need to review the possible negative factors and decide with the help of senior management about the alternative course of action.

Do we have to redefine our business? If yes, what are the measures that the company should take now? Redefinition of business generally relates redefining the brand's position. This area is discussed in lectures 18-20.

For the sake of example, you may think of a company that deals in branded sandwiches for modern supermarkets, bakeries, and convenience stores at gasoline stations. The company's business falls under an FMCG category.

Success in FMCG sector may prompt this company to also develop the character of a fast food company. The whole marketing complexion will change and the company faces the challenge of redefining its business. The question that should tax their minds should be, are we going to remain an FMCG company, or should we be known as a fast food company with an impressive track record in FMCG area?

The redefinition has its implications in terms of investment into fixed assets like restaurants and specialized staff. It will also need an effective communication campaign through which the company can talk with the target market about its intended position. If customers really perceive the image of the company the way its new identity is created, the redefinition of the business has worked.

Are their any role models among competitors or associated companies that brand managers should follow? You should try to find out if there is a competitor that the senior management of your company really envies. Study the business model of that competitor and determine what can be done to excel that model.

2. Determine the financial contribution gap

The contribution gap is the difference between company's present financial position and the financial objectives. Filling the gap means having more revenue that can lead to better and higher contribution margin. Higher revenue is sourced from either new products, price increase on existing products, or both. Here, top management's input also becomes important.

What bear importance for the brand managers are the following questions:

- Go for price increase
- Expand markets and availability
- Improve distribution – intensive and extensive
- Improve communication
- Introduce new offerings for new segments
- Make acquisitions

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Answers (discussed in a little detail in the next lecture 9) to all the questions help you determine the financial gap and commit all to move strategically toward developing the right picture for the brand.

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1. *Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brands"; Jossey-Bass, A Wiley Imprint (44)*

Suggested reading:

1. *Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brands"; Jossey-Bass, A Wiley Imprint (37-49)*

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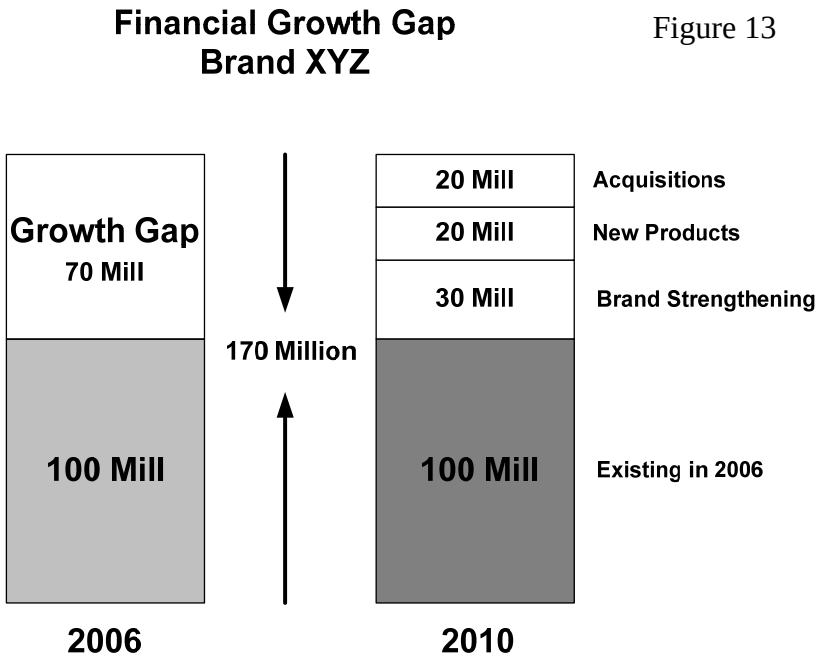
BUILDING BRAND VISION

Answers to filling the growth gap

The answers could be best obtained with the help of the following figure 13.

Figure 13



Source: Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brands"; Jossey-Bass, A Wiley Imprint (46)

The company plans to register sales revenue of RS.170 million by the end of 2010. The existing revenue level of year 2006 is RS.100 million. The plan, in other words, envisages a growth of 70 percent, which translates into a yearly average growth rate of 17.5 percent. (This is a hypothetical situation and does not represent a real life company case; in real life a growth rate of 17.5 percent is very high and is witnessed only in high growth industries).

The challenging part is how to achieve what is envisaged. The senior management is convinced that additional revenue of RS.70 million will come from a combination of the following strategic moves:

- Strengthening of existing brand(s)
- Introduction of new products, and
- Acquisitions

The questions of brand managers regarding how to fill the contribution gap stand answered. What the above reveals is that no single move can bring the company the desired level of growth; rather, it needs to move into three strategic directions to achieve the objective.

The brand and marketing management know what they need to plan to strengthen the existing brand(s), to introduce new brands, and to formulate moves for brands that are planned to be acquired.

The intended targets of acquisitions may not be revealed to brand management immediately at the time the top management envisions to do so. But, the fact remains that acquired brands will also bring their part of contribution. Generally, acquisitions bring with them staff members at the level of brand managers, who get immersed into company's management and continue performing their functions to maintain consistency.

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With the questions answered, brand managers find themselves a step further in building the brand vision toward a clear picture of the brand.

3. Collect industry data and create a brand vision starter

Translation of visionary thinking into financial and strategic goals must have a base. Nothing could provide a better base than analyzing the industry the company is a part of. Industry analysis comprises the following:

- Defining the industry
- Determining industry growth and size
- Key growth factors
- Seasonality
- Industry lifecycle

Defining the industry: Defining the industry is the first step toward the analysis. You must consider the following:

- A description of the economic sector that the industry occupies – manufacturing, services, distribution, or any other
- The range of products and services offered by the industry
- A description of the geographic scope of the industry – whether local, regional, national, or international

The industry definition may also include a listing of major market segments. For example, a computer manufacturer may divide its market into desk top computers, laptops and notebooks, and servers for web hosting.

The idea is to find a definition that is broad enough to include all of the company's major competitors but narrow enough to permit useful comparisons. However, it is better to be a little broad than being too narrow.

Industry size and growth: You have to determine the current size of the industry for the company's products or services. You can determine this through published data or informal means and arrive at numbers for total units sold and revenue generated by all the players in the industry.

You can then go on to determining the annual growth rate of yesteryears, project for the next few years and compare that with your company's. That will show you how you seem to be growing – as much as the industry, faster, or slower. Such analysis will also enable you to compare your company's growth with other major competitors.

Figure 14 exhibits market shares enjoyed by three different companies ABC, MNP, and XYZ as projections for a three-year period.

Market Share

Years 2006 - 2008

Figure 14

2006		
ABC	MNP	XYZ
29%	38%	33%

2007		
33%	31%	37%

2008		
33%	23%	44%

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Company XYZ shows a consistent rise in its market share at the expense of the other two companies. Company MNP is losing over the three-year period, while company ABC is barely maintaining the marginal growth it is projecting to register in year 2007.

This kind of a comparison helps managers develop a realistic picture of the industry and, hence, the standing of their own company while they are in the process of developing a vision for their brand.

Another factor that brand managers should consider while analyzing market is the growth of the category or market. The rise or drop of market shares as projected for the three companies can be interpreted in yet another way giving the managers better insights into the movements of different players.

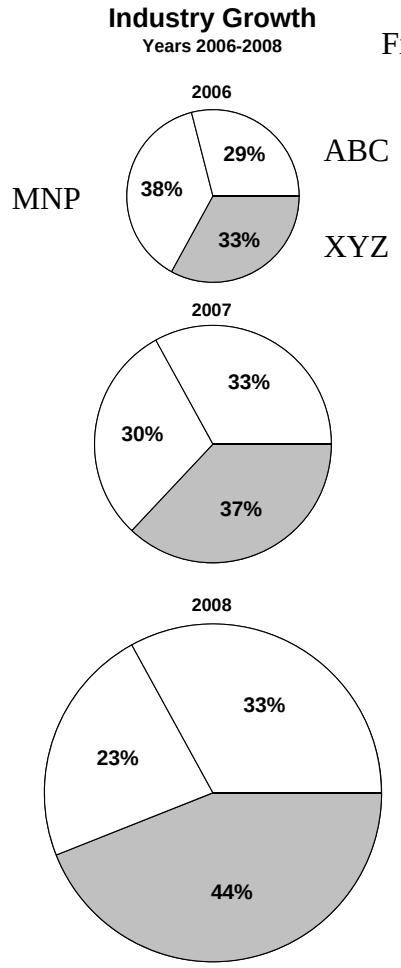

Figure 15

It is evident from figure 15 that company XYZ has a market position stronger than it may look from the preceding figure 14. This company is gaining market share in a fast growing category, which is different from having the same level of shares in a category that is growing slower or is static.

Company MNP is dropping its share fast over the three-year period, but may not be losing the volume as fast. The volume may still be the same as it is in the year 2006. Although a consolation by way of utilizing the production capacity, the company definitely is not growing and is on the declining path.

Company ABC may be static in terms of the market share, but it is gaining volume on yearly basis. The situation, however, is not as rosy as that of XYZ and company ABC is not reaping optimal benefits of the category growth. Refer to the advantages that number one brand enjoys as per the PIMS findings in lecture 2.

Such analyses arm the brand managers with analytical insights into realistic comparisons and solid basis for developing the right vision for their brands.

Key growth factors: Growth factors are trends and conditions beyond the control of the industry or firms within it. Such factors significantly affect market growth and the level of demand, hence having impact on all.

The car and electronic industries in Pakistan have undergone a tremendous growth phase owing basically to bank financing, which is easily available. The access to bank financing is the key growth factor, which has given a new shape to the whole supply chain of the two industries. The level of demand on part of those who are into manufacturing of car accessories and electronic parts for TVs, for example, has witnessed a growth rate unprecedented in the past.

Cyclical Influences

Cyclical industries are those that are directly affected by the rise and fall of external economic cycles, usually the national business cycle. Cyclical industries generally do

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well during strong periods of growth and do poorly during recessions. Typical cyclical industries are manufacturing (consumer durables) and construction (cement and other building materials), to name a couple.
Cyclical patterns should be identified to know the strengths and weakness of such industries, if those affect your business.

Seasonality: It refers to the distribution of business activity during the year. If an industry is subject to seasonality, then its sales in one part of the year are disproportionate to the other part of the year. For example ice cream and cold drinks have a higher level of demand in the typical season of summer. Brand managers must consider such seasonal variations while they are in the process of developing the brand vision.

Industry life cycle: It is important to know the level of maturity of an industry. There are four stages that characterize maturity:

- Embryonic
- Growth
- Mature
- Aging

You, as brand managers, have to see what stage the industry is in and how you relate to that cycle (one of the above four stages) in terms of growth rate, market share, product line planning, investment in technology etc.

4. Meeting with top management to create the vision

Equipped with all the relevant details and information, you are now in a position to make a presentation to the top management. In all chances, the findings should be acceptable to all since many vital factors in the report owe their inclusion to information from the top management. It can still be debatable, but you have a chance to defend the bases that have led to the conclusion. It offers a good opportunity to iron out any differences that brand and marketing management may have with other departments for the good of the brand.
A consensus on the report puts the company on the course to developing a clear brand picture, which is the next strategic step in the brand management process.

BRAND PICTURE

The second step of the strategic brand management process is development of brand picture. Toward creating the right picture, you have to do everything possible to create the right image. The whole exercise of creating the right picture is to create meaningful parallels between the brand's identity and its image. We know by now that more the image coincides with identity the more brand managers are successful in communicating the right identity and creating the right image.
Creating the right identity is of paramount importance, for it means that the product has been given the right meaning that will be rightly received at the consumer's end. Creating a brand, therefore, is the end of the process that is the sum total of all company resources deployed to create the point of difference that highlights brand's identity.
Brands therefore are born out of the marketing strategies of differentiation and segmentation, as is already clear from the discussion on all preceding concepts in general and the example of company XYZ's vision statement in particular.

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The soul of branding

Branding is not just putting a name on top of a product. Branding is that you do inside of the product, that is, give it meaning through creating the point of difference in a way that its identity is taken at the receiving end the way it is intended. It is because of such an identity of powerful brands that you look at them as relevant and genuine even in the absence of a label[2].

You do not give the same treatment to a fake brand even if it carries the label that may look genuine. Why? Because the actual brand (the inner soul) is not there! The brand name is visible, yet the brand is absent. The image, in other words, that consumers have of the two products is different. In case of the original, it has the top of the mind image; in case of the fake one, it has the bottom of the mind image.

How to develop the right picture?

The question is how do you create a brand that injects into the product what gives it the right image? The first task toward doing that is to envision[3]:

- What attributes materialize?
- What advantages are created?
- What benefits emerge?
- What obsessions does the brand represent?

A brand picture has to answer all the questions. A simple question that embodies all the above-mentioned four questions is, "what would the market lack if our brand was not there?" If the answer is nothing, then the brand managers may not go ahead with the brand development.

If the answer is substantive, then the substance will be found systematically through the above four questions in knowing the features, advantages, benefits, and the obsessions the brand offers. Therefore, once brand managers are gone ahead with the right vision and the purpose, the right image will result.

Figure 16 illustrates the process of developing the brand picture - right segment, right differentiation, right product, right identity, the right image!

The right picture gives you the right basis for the brand strategies that will leverage the brand the way it is envisioned. An important thing to keep in mind is that brand picture is externally driven with customers as the focal point[3]. It takes into account customer needs and the competition. The competitive environment gives you the right customer perspective regarding your product vis-à-vis competition.

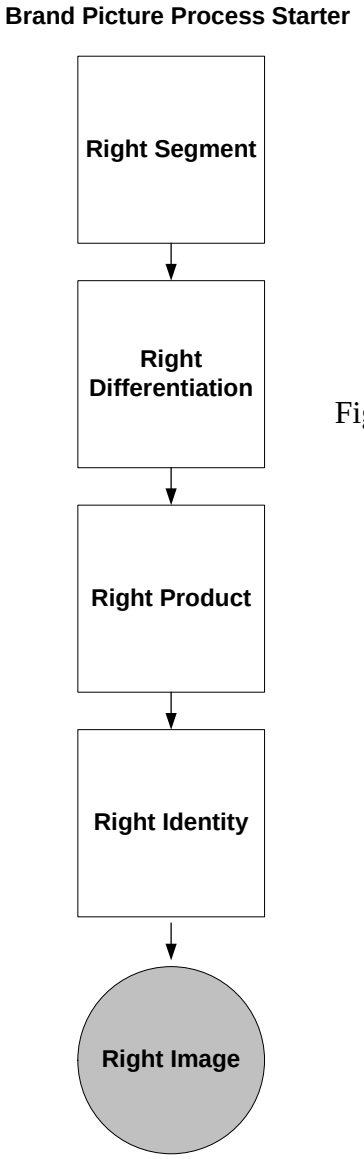

Figure 16

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Summary - lectures 8 and 9

Building brand vision is the first step of the strategic brand management process. To leverage your brand, you should build up the brand vision by considering all possible strategic factors like growth the company envisages, the ability to reach strategic goals, introduction of products and then sustaining those products.

Brand managers must start the process by seeking top management's input on matters of strategic moves before they develop the right vision, which leads to developing the right brand picture. The whole process is very strategic and therefore must take into account why a particular segment should be served and how the company offering will best serve that segment of the market.

Identification of the right segment will enable the brand managers to develop the right product. Identity of the product, if created right, will lead to the right image that lays the foundation for the right brand picture.

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1. Jean-Noel Kapferer: "Strategic Brand Management"; Kogan Page (47)

2. Jean-Noel Kapferer: "Strategic Brand Management"; Kogan Page (47)

3. Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brands"; Jossey-Bass, A Wiley Imprint (53)

Suggested readings:

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2. Jean-Noel Kapferer: "Strategic Brand Management"; Kogan Page (46-59)

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Lesson 10

BRAND PICTURE

Brand picture is based on brand image, which has two following components:

- Brand associations
- Brand persona

Brand Associations

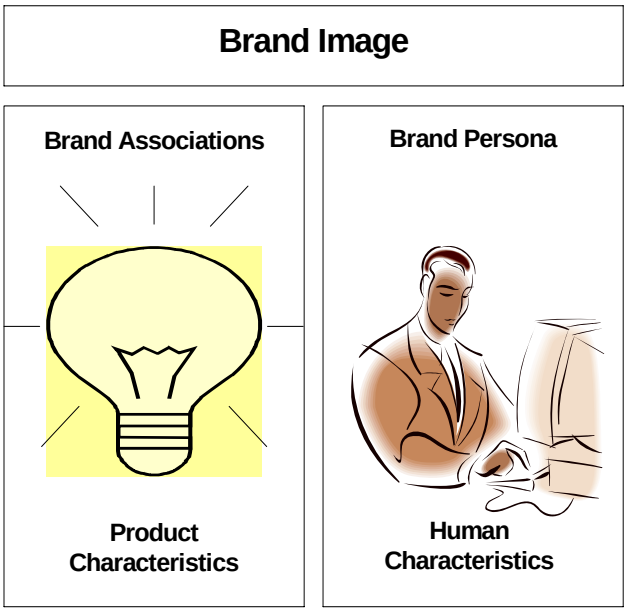
Associations refer to attributes the brand carries and benefits it offers to consumers. Persona is description of the brand in human characteristics. The basics of this concept were discussed in lecture 3 under brand identity and image. You must be able to express your brand in human terms like sturdy, reliable, well-meaning and well-serving, stylish, modern, and caring etc.

A brand expressed as reliable must have those characteristics so that it can be perceived as that by the target market. By the same token, a brand perceived as outdated by the market while the company thinks of that as modern is at odds with the market perceptions.

The objective is to better understand brand's strengths and weaknesses and have realistic strategic goals. A long exercise in brand vision as discussed in the preceding two chapters enables us to understand company's strengths and weaknesses and their reflection on your brand plans. A clear picture of the brand will emerge out of the understanding of strengths and weaknesses toward leveraging your brand.

The two components of brand image are expressed graphically in the following figure.

Figure 17



Source: "Brand Asset Management" by Scot M. Davis

According to Scot Davis, associations are part of a laddering approach, whereby the more you ladder up the perceived benefit in your consumers' mind the stronger is the association[1].

He goes on to say that features and attributes remain undifferentiated in the minds of consumers unless they translate into perceived benefits.

He also states that benefits are weak unless they relate to the customers' central values and beliefs[2].

Example

A chain of schools cannot create perceptions of good quality education to children unless its program of teaching relates to the central values of children's parents. The values could be a set of good worldly education, knowledge of basic religious tenets, and high morals. Emphasis on physical training and extra-curricular activities may also be among the beliefs of the parents.

The education system of the school has to create all the relevant attributes and then deliver those as benefits for the target market (parents) to perceive that the delivered product is very much in line with their perceptions. The higher the quality of delivery and substance of education, the higher the school has laddered up the benefits. Add to that the extra-curricular activities and the school has further laddered up the benefits.

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The concept of laddering up the attributes and perceived benefits can be explained with the help of the following set of three related examples:

Example 1

Think of a brand of clothing that you may not buy but do think is worth considering. The reason you think it is worth the space on the market is that it does demonstrate certain features and attributes that may have appeal for some, if not you. The brand is out in the market fulfilling need of a certain segment that has to be addressed by some brand(s).

Example 2

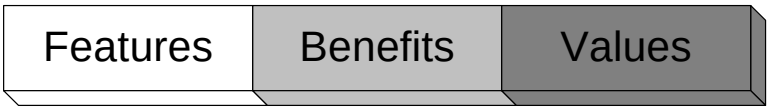
Think of another brand of clothing that you desire just to fulfill certain basic needs with no intention for self-fulfillment. You expect the brand to offer you basic benefits and feel satisfied. You do not feel the need for projecting yourself. Your concern is all about the functional benefit that the brand provides. Consider a basic sport shirt in the light of this example.

Example 3

Think of the best possible brand of clothing with which you associate yourself the most. If it rings a chord with your emotional values and beliefs, then it is laddered up in your mind to the highest. Your values dictate that you must look different by way of having expensive and fashionable clothing and be able to project yourself as a modern, sophisticated person. What happens is that you start feeling very important and confident thinking you are projecting the image you deserve.

The laddering up of benefits can be explained wit the help of the following graphic illustration:

Figure 18



Features refer to demonstrable features and attributes that fulfill basic needs.

In the second stage, features and attributes translate into benefits, while in the third stage customer values are also fulfilled along with benefits. Refer to extra-curricular activities offered by a school with a good education system.

The concept can be summarized in the following words:

- Stage 1: Demonstrable Features & Attributes.
- Stage 2: Features & Attributes + Benefits.
- Stage 3: Features & Attributes + Benefits + fulfillment of values.

We can conclude from the set of three examples that brand associations have different levels in the mind of consumers. The higher the level the more powerful is the brand. When a brand addresses your emotional values, it is at its pinnacle.

Getting to the pinnacle should be the objective of all good brands. But then not all brands can do that. The following figure demonstrates the brand value build-up by way of a pyramid.

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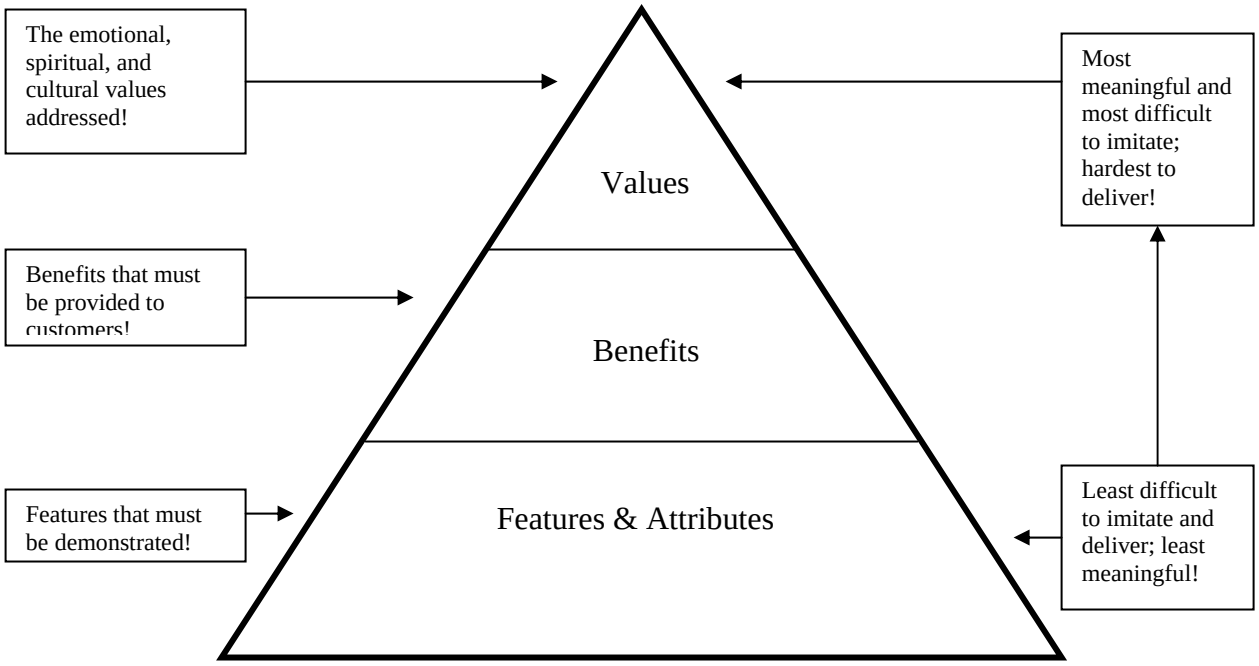
Figure 19

Brand Value Pyramid



Source: "Brand Asset Management" by Scot M. Davis

Importance of being at pinnacle

Those brands that rule their respective categories and define them are the trend setters; others follow them to maintain their existence in the market place. The trend setters establish certain benchmarks not following which means getting your brands out of the playing field and undermining consumer franchise for them. Not following therefore is risky. Following may amount to having your brand known as "me-too", meaning a follower without creative elements.

It is here that the point of differentiation acquires significance and calls for concerted efforts to rightly identify the dimension of the need your brand is out to address, satisfy that need and get to the pinnacle.

Leveraging from the pinnacle

The question is why do you have to be at the pinnacle? Companies do not invest phenomenal amounts of money to be at the pinnacle for the sake of marketing fun! Investments into branding are done to attain a position from where you can leverage your brand.

Needless to say that it is the brand loyalty that offers your brand the slot at the pinnacle. You can go for price premiums and introduce new products through the brand power. Eventually, you want your brand power to translate into profitability and bottom line growth, and increase the asset value of the brand[2]. If you succeed in doing so, you define the category in which every one else is a follower. You enjoy ultimate power.

Pinnacle testifies right image

Any brand at the pinnacle testifies the need it is fulfilling was rightly identified, the identity was right, its image has been received in the right most way, and the communication was perfect.

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From pinnacle to bottom

There are categories in which all players work hard to win over customers by offering points of difference with quality. The offerings eventually get so close to each other that they lose the charm of having had differentiation at one point, thereby reducing the whole category to basic features and attributes. What once was a differentiated feature offering unique benefits and values is now commonplace and hence calls for working all over again through the brand value pyramid.

The renewed working may not mean changing the product all together. It could be done through various ways of offering meaningful value to the customer, like improving service, distribution, and management practices. Toyota Corolla is an excellent example under such circumstances. Its direct competitors offer everything in tangible terms in their models, and yet Toyota is right on top. The position owes to the unmatchable customer value the brand offers through better availability of spares, service, and resale price of cars. The extra meaningful value does not let Toyota lose its exceptional laddering and reduce the model to the first level of brand pyramid.

Conversely, in many cases of consumer consumables, similarities let brands catch up with each other and prevent them from offering any meaningful ways of retaining differentiated customer value. The result is all brands lose their exceptional laddering and reduce the category to the first level of brand pyramid. Price wars and massive promotions start. Result is shake-outs. Category gets a new life with the advent of new technology or at least new innovation or a substitute category of products.

The next lecture continues with the levels of association a good brand should evoke. How features and benefits should be determined to have the desired associations evoked is the starting point of the lecture.

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Lesson 11

BRAND PERSONA

Determination of attributes and benefits

To have your brand present its customers the right attributes and benefits, you have to first determine what those attributes and benefits are that brands present and values they address. The key to the whole process is clarity about the need to be satisfied.

You must not under-serve or over-serve the customers. In other words, the segment that you are serving has to be fully aligned with the features and attributes that you envisage your brand to carry. Under- or over-doing will let you unintentionally navigate the segmental territories not meant for your offering.

Determination can come through one way and that is research. The objective is to compare your brand with that of competitors and gauge the level of associations all evoke. The results of the research will enable you to be specific about the features that you must create for your brand and the benefits your brands must offer to your customers.

In the absence of this comparison, it is hard to formulate a sustainable competitive strategy – a strategy that highlights the features and benefits and sets your brand apart from the rest of the crowd. Refer to industry analysis and consider a couple of established competitors to draw the right comparisons that can lead you through the competitive path with success.

Need-based segmentation research

It is good to get into segmentation research that should cover demographics as well as psychographics to give the findings a true need-based dimension. Needs drive all the strategies and always emerge as the most purpose-serving research basis. Right identification of needs also offers the best alignment between strategies and associations that we are out to evoke on part of the customers. It is here that we are able to determine the balance between under- or over-serving the segment of population that is our target market. The following two examples explain the phenomenon of the balance between under- or over-doing.

Example 1

A fast food restaurant should not start offering in the manner of a full-served fine dinning restaurant, nor should it demote its offerings below the level of product profile perceived by customers as authentic fast food.

Example 2

A 1300 cc car offering inside and outside temperature readings and dual air conditioning is borrowing features from a sibling of a higher segment. A higher segment bigger model not having the features (temperature reading and dual air conditioner) deemed unnecessary for a 1300 cc sibling is under-serving its customers.

Population to be researched and relevant questions asked

The population to be researched should consist of company's present, past, and potential customers and competitors' customers in relation to determining the levels of association with the brand. Members of the trade (distributors, wholesalers, and retailers) who are category influencers should also be included in the population.

The respondents should be approached with the objective of determining the right attributes and benefits to be offered by the brand and values addressed. The responses, when put side by side, for different brands will lead you through realistic mode of decisions for your brand.

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The questions should revolve around the level of awareness about your brand versus competition and strengths and weaknesses as respondents perceive in relation to your brand versus competition. The series of questions should also take you through determining whether respondents consider your brand up to their expectations and worthy of recommendation to others! All questions should be asked in the simplest and direct form to have straightforward and credible answers.

With no ambiguities of answers you should be able to gauge the levels of associations your brand evokes vis-à-vis competition.

Purpose served by asking the right questions

The objective of asking the questions is to precisely determine the level of associations your brand has evoked. An even bigger objective is to see whether customers think your brand has reached the pinnacle. If the answers to your questions are mostly "yes", then it is a testimony to your hard work of identifying the right need, developing the right product, and making the right branding moves. You must maintain your brand's position and further fortify it.

If the answers to your questions are mostly in negative - which it should not be – then you must look into the reasons and make corrections wherever those are warranted. The typical questions that you must ask yourself are the following:

- Why is our brand not right on top?
- Why is competition right on top?
- What can you do to bring your brand right on top?

The answers to the above questions will be of comprehensive nature and will not allow you escaping any shortcomings. Whether your company has the resources or not to come to grips with the problems is another issue. The assumption here is that it is capable of handling all major problems; otherwise it would not have undertaken the brand development process in the first place.

Keys to developing associations

According to Scot Davis, the build up of brand value has to be an incremental process1.

- No brand can get into the pinnacle without moving incrementally through the stages.
- There has to be a complete alignment of associations all across the three stages. The alignment can be achieved through the process discussed above, that is, identify the right need for the right segment, have the target market perceive the benefits as the ones desired by them, and make them believe that your brand addresses the values they hold dear to themselves.
- Make the whole process difficult to copy. This can be achieved by creating customer value highly meaningful to customers.

The following example of Toyota Corolla is expressive enough about the levels of associations and the alignment that exists among the three levels to the benefit of the brand and the customers as well.

Features and Attributes

- Good styling
- Fair pricing
- Great value
- Spacious
- Looks of a bigger car
- Sturdy

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Benefits

- Good consumption
- Good resale value
- Good quality
- Dependable
- Widespread availability of inexpensive spares

Beliefs and Values

- Gives you confidence
- Friendly; makes you feel good and important
- Approval of neighbors, friends, and relatives

What is after the brand pinnacle?

Whether to stay within the same pyramid or go beyond it into a new one is defined by the leader of the category. The leadership role comes with the power the brand has. It depends on how high the leader wants to go within the same pyramid.

Most of the brands have the potential to ladder further up. It is here that business managers have to decide whether to create higher standards of excellence within the same pyramid or go beyond it with a new brand name by adding more attributes to existing products and create a new identity altogether.

Is new category needed?

Companies choose to go into a new pyramid for two reasons. One, laddering up under the same name may offer resistance from the customers. Two, a new identity under a different brand name with endorsement from the same manufacturer can bring the company premium pricing that may get subject to resistance under the existing brand name. This is why Toyota introduced Lexus; Honda launched Acura, and Nissan Infinity. Lexus, Acura, and Infinity are all very expensive cars that fall within pyramids different from those belonging originally to Toyota, Honda, and Nissan. The new offerings came to the market with high premium on them.

What is important about the brand value pyramid is that the pinnacle has to be reached so that the emotional value connection can be established with the consumer.

BRAND PERSONA

The second part of image is brand persona. Along with associations it provides a complete understanding of the brand image. Brand managers look at brands from the standpoint of human and other characteristics that can be easily identified and understood.

The objective of the exercise is to personify your brand so that consumers can express and associate themselves with the brand just as they associate themselves with other persons.

Persona examples

- Car. It is like you describe a car as rugged; you can describe a person from a certain area as rugged.
- Biscuits. You may describe a high-end expensive biscuit brand as “sophisticated” as opposed to another you may want your fun-loving kids to take as “funny”. People can be described as sophisticated and funny.

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- SUV. A four-wheel vehicle can be personified as "warrior, tough, and no-nonsense" as opposed to a family car having a "majestic and well-composed" personification. People can be described in just about the way a four-wheel vehicle or a family car is described in this example.

Need to create the right traits

The exercise of personification is meant to fully understand what personality traits you should create for your product so that it is perceived by the consumers the same way. The objective therefore is the same as it stands in developing associations. Customers must perceive your product the way it is intended to be perceived.

In order to understand the traits of your brand right, you again have to carry out market research and ask consumers questions to arrive at the right most personification.

Personality traits through research

A few questions can resemble the following:

- Does the product look educated?
- Does it look fashionable?
- Is it urbane or a villager?
- Is it babyish or mature-looking?

The most important factor is to ensure that your brand's persona must be matching with consumers' perceptions. A baby shampoo has to be perceived as such not because you have introduced it as baby shampoo, but because its personality traits are such that anyone taking a look at the retail shelf can pinpoint the product is meant for babies.

When you combine your results with those of brand's associations, you come up with a complete understanding of the valid and sustainable positioning of your brand. The right position of the brand will evoke right image of the brand and serve as the focal point of all strategies that will follow to make the brand a success.

Summary – lectures 10 and 11

Brand picture is based on brand image, which is a function of brand associations and brand's persona. Customers develop associations with brands for the reasons of benefits that brands offer and customer values that brands address. If a customer values being known for wearing expensive clothes, then some brand has to address that value of the customers falling in that segment.

Good brands have good features that get translated into benefits. Unless features get translated into benefits, brands cannot have customers develop the desired associations. Associations have different levels. From being able to address basic needs of customers, brands get on to offering extra benefits and addressing certain emotional values. When a brand is just able to address the basic needs, it is at the lowest level of associations. When a brand addresses emotional needs, the level of association is at the highest – the brand value pyramid. All brands should strive to get to that point and generate loyalty of the highest order. An important aspect of the brand value pyramid is that it is an incremental process in which associations get strengthened through different phases, not skipping any.

Brand managers have to identify customers' needs in the most realistic way to come up with the compatible product features and then be able to develop the right, desired associations.

Brand's persona is the second part of the image. It is personification of the brand in human terms. The tricky part is to determine the right traits of the product and then developing the brand's personality in a way that customers perceive it the way it was intended to be perceived.

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Glossary of terms:

Demographics: It is referred to as demographic segmentation. The market is divided into groups on the basis of demographic variables such as age, family size, gender, income, occupation, education, religion, race, generation, nationality, or social class[1]. It is generally seen that consumer likes, dislikes, preferences, and usage rates have a lot of similarities within the demographic groups and they are closely linked to demographic variables. Research stemming out of a design based on demographics is generally more reliable and easier to measure.

Psychographics: This refers to psychographic segmentation in which buyers are divided into different groups on the basis of lifestyle and/or personality. People within the same demographic group can exhibit very different psychographic profiles[2]. Example: A consumer who drives a Mercedes-Benz may mostly like to use an inexpensive ball point pen and wear blue jeans, whereas a consumer driving a Suzuki may always like to use an expensive pen and wear designer clothes. The likes and preferences in this example have a relationship more with lifestyle than demographic variables.

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Lesson 12

BRAND CONTRACT

The concept of brand contract revolves around brand's ability to always stay up to the expectations of consumers. Owing to the associations developed with the brands of their choice, consumers do not want to see those brands deviate from the strong impressions and image they have about those brands.

What consumers expect of brands is a positive change and development in relation to changing technologies, environment, and any other factors that may have a bearing on consumer behavior. To continually remain in favor of consumers, brands uphold consumers' franchise by remaining up-to-date. This is the only way for brands to remain relevant.

For brands staying contemporary means bringing about innovations and living up to consumers' likes and expectations. This further means engaging into a "contract". In other words, brands must respect the contract, attract customers and assume all implications, which they do through fulfilling the promises.

Brands make promises with the customers by providing benefits and developing associations. Any deviations – lowering of quality, non-availability of brands at the point of customers' choice, or not keeping pace with changing technologies – amount to not keeping the promise and hence in customers' perception breaching the "contract". The contract, as such, is not legal; it is purely economic and emotional in nature.

The need to stay contemporary

Because of the fact that we use brands day in and day out, brands are a part of our memories. These memories are developed over time through a series of brand experiences. The image of a brand, as such, grows out of cumulative memory, which basically is formed by brand's associations and persona.

Whereas consumers expect to reap the same benefits always, the expectations they have must carry an element of contemporariness. To keep brands contemporary, that is keeping them belong to the present, we have to understand the memory part and the future part as a program.

The memories deal with the past and future is managed through a well guided program that deals with the present and sets the ground for future evolution. Brand managers must define the ground where the brand belongs and carve out the territory from where it will grow in future. Memory is central to understanding how brands function and should be managed1.

The underlying program indicates the purpose and meaning of both former and future products. We should study brand's history from production and marketing points of view and make them a basis of our moves for the future. The historical perspective enables us to maintain consistencies for our future moves.

Consistencies offer smooth transition from one era to another as part of the same program that continues on a perpetual basis. You never stop working on what is past and what exists as present. Understanding of the present on the basis of the past gets us into the future free of any distortions. The result is a strong brand character, which is contemporary in nature.

Through consistency and persistence over time, brands create loyal customers. Brand keeps the promise and in return customers buy the brand and the contract goes on.

Brand contract requirements

Maintenance of the brand contract is subject to certain requirement. It is not always easy. You may make a wrong move in trying to improve packaging and the outer looks of the brand that may fall out of consumers' favor. You may introduce certain features in a consumer durable product that customers may see out of your brand's character. You may adjust ingredients of your brand to achieve cost efficiencies, disappointing your customers in the process. Or, you

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may just not have the requisite resources to catch up with the latest technologies, thereby frustrating your customers of your inability to stay contemporary. In other words, there are constraints in seeing the contract go through at all times.

The brand concept, as a whole, assumes that branding requires internal as well as external marketing.2 Since brands set their own ever-increasing standards to stay "contemporary" they need company-wide support – internal marketing in addition to external marketing.

External marketing is subject to the quality of internal marketing that is in practice for any brand within a company. Conviction or lack of it among all employees of the company about maintaining brand's promise can make or break a brand.

All functions of the organization must converge on one point to lend support to the brand. Only upon getting that kind of support, the brand contract can be maintained. Following are some of the requirements:

1. Closely monitor the needs and expectations of the buyer. Carry out market research both to optimize the existing products and to discover needs that have yet to be fulfilled. This effort falls within the realm of marketing.
2. React to technological progress as soon as it can create a competitive advantage for the brand. This signifies that operations department stays abreast of all developments and plays its role toward maintaining brand's promise. Promise is delivered by keeping the brand contemporary through research and development in the operations department.
3. Provide both volumes and quality. This requirement again is to be fulfilled by the operations department to make sure that repeat purchases take place. Insufficient volumes can undermine loyalty due to non-availability at certain points of sale and quality problems can jeopardize reputation of the brand and its loyalty.
4. Deliver products to intermediaries (trade members) consistently over time for them to optimize the role they play in selling the brand. This responsibility belongs to shipping and sales. Both departments play significant roles in maintaining the vital supply chain.
5. Give meaning to the brand and communicate its meaning to the target market through advertising, a function that is a hallmark of marketing department.
6. Make sure that finances are available according to the budget and there are no disturbances in the cash flow of the company. This is a responsibility of the finance department and also sales that helps the finance department in getting receivable amounts.

Internal mobilization of resources with timely actions lays the foundation for promises to be fulfilled. All departments and employees have to be an active part of the exercise with a sense of ownership. A brand belongs to all and is the glory of all.

We can sum it up in the words of Scot Davis, "Brand contract is a set of promises that the brand makes to customers. It is created internally but defined and validated externally by the marketplace[3]."

Summary

Companies should be very careful and honest in understanding their target market first, the need they are going to satisfy, and the promises they are going to make. Good promises reflect good features of the product and benefits to customers.

Once used to good benefits, customers expect brands to continually offer those benefits and address values they endear. Not only that, brands must also stay contemporary to stay relevant on the scale. It is the contemporariness that upholds the contract a brand offers to its customers. Upholding the contract is the ultimate win-win situation for a brand. There are certain requirements that need to be fulfilled for the contract to stay valid in the marketplace. Toward that, internal marketing and mobilization takes the driver's seat. Rest follows.

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Lesson 13

BRAND CONTRACT

How to create a brand contract?

The objective of this lecture is to learn how a company should go ahead with creation of a brand contract in a way that its brand gets duly leveraged

The key to developing the contract lies in making the promises known to customers. The more customers are knowledgeable of the brand's promises, the more they are inclined to be bound into a contract. A customer bound by a contract is a loyal customer.

Promises present themselves in two different forms – implicit and explicit. Implicit promises are taken for granted, that is, customers must see those delivered whether the brand talks about those or not. Tea is an excellent example of carrying implicit promises of smell, color, and taste regardless of what brand name it carries. Any good brand of tea has to have the features mentioned in the example.

Some promises are explicitly claimed through well-designed communication. A personal computer with features relating processor's specifications, the size of the hard disk, and the capacity of the random access memory (RAM) have got to be communicated very specifically, not left to customers' imagination. Any promises that the company makes but cannot deliver amount to a breach of the contract.

A brand contract may also contain some negative promises that must be eradicated from the contract. Negative promises creep into the contract due to company's inability to address certain problems or challenges. One example of negative promises can be of an automobile company falling short on its promise of 3S – sales, spares, and service. If the company cannot cope with the challenge of maintaining free availability of spares at affordable prices, the company has unintentionally brought a negative promise into the contract.

As another example, think of a cellular phone company that may talk a lot about efficiency of service, low rates at particular time of the day, and many other options to its subscribers. If the service cannot catch up with the growing demand of customers by way of frequency distortions or non-connectivity, then the company has definitely brought into the contract a negative promise.

The two companies (car and cell phone) have to fix the negative contracts and then prove they no longer deprive the customers of their needs or inflict the service. Powerful brands have the resilience to bounce back if corrective action is taken in timely manner.

Need for upholding the contract

Unless the breach of contract is fixed, the brand will suffer in sales, in image and spoil other programs. To make the contract complete and effective shortcomings have to be removed.

A hypothetical brand contract

With the understanding of mechanism of a contract, we can proceed toward hypothetically creating a brand contract of the fast food company we discussed earlier. This company has decided to talk about all the relevant promises on the package of the product. The terminology of "contract" is very intra-company and is not used when it comes to communicating with the market. Although not using any head is generally the norm of the market, this company has chosen to label its promises under the head of "product integrity".

- The company promises to offer you world class quality of meat, and a compatible level of quality breads.

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- The company maintains all the critical control points involved in maintaining the minus 20-degree temperature for its meat ingredients. It makes sure there is no bacterial growth in the vital ingredients.
- All other condiments have been selected with the sophistication of a world class chef for your eating pleasure.
- Our kitchen is immaculately clean; if you were to see that you not only will overindulge in eating but also recommend our sandwich forcefully to others.
- We undertake to deliver the order within 30 minutes.
- Our staff is efficient, skillful, and courteous who deliver on time with a smile.
- We claim to have revolutionized the lunch service – unique product that couples efficient service, and hence offer you a unique experience.
- The value for money that we offer is second to none. Compare our prices with those of competitors.

As brand manager, you may like to retain the above promises as they appear, discard a few, or make adjustments in line with the dynamics of the market. Even if you do not wish to communicate the above contract on the package, you must have this as guidelines for your own staff. Keeping all employees mindful of what the company wishes to deliver amounts to strengthening their commitment toward the product and stands as part of the internal marketing. Brand contract therefore represents total consensus and commitment on everyone's part.

Since the contract is validated by the market, it is important that the market is adequately educated on all the promises and the factors that make those promises deliverable. Should the customers find the promises fulfilled, the contract stands upheld.

Promises change with changing strategies and circumstances. The fast food business started as lunch-time delivery service. Assuming that the service has been successful, the business would like to expand itself by creating small restaurants. The induction of restaurants will bring a change in promises, which may look like the following:

- Our restaurant is a modern, utility based set-up. No frills, no make-ups, straight forward, down to earth atmosphere and pricing make it an experience of a life time!
- The atmosphere is friendly, warm, and home-like in the real sense of the word.
- Our preparation procedures are highly industrialized, that is, we do the same thing again and again to maintain standardization.

If customers feel the same kind of satisfaction from their product and service, it is a reflection of the brand contract that the management has created. That wins customers' trust and gives the brand value and power.

Brand contract principles

There are four basic principles that we use in creating a contract[1]. The principles are pretty straight forward. Use the same market research that you used for brand image exercise. Add a few more questions and the model for research is ready. Never forget to include competition in your research projects. Without comparisons, you may not come up with the best contract.

1. **Understand customers' perspective**

   Go back to the sandwich project and see the kind of questions you should ask:
   - In purchasing our sandwich, what benefits you expected?
   - Did it meet your expectations? If yes, how? If no, why?
   - Tell us the most important aspects of product quality – taste, freshness, smell, size, filling, and overall presentation.
   - What promises our brand makes?
   - Do other brands make different promises? If yes, how?

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- What really triggered your decision to buy our brand and do you see your decision worth making?
- What is it that we can do more to improve our service and product?

The basic objective is to make this exercise customer driven. You must take into account the opinions of the key purchase influencers. Be ready to face a few negative comments. Fix the situation if the comments make sense.

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Lesson 14

BRAND CONTRACT

Brand contract principles

The remaining three principles are discussed in this lecture.

2. **Translate into standards**

   There are a host of activities that are to be undertaken before you put a product together. This implies you are putting together different promises. Not one department is involved in carrying out a task that is as comprehensive as putting a product together. The numerous activities, therefore, have to be standardized by ensuring optimal and accurate input from every employee of all departments, starting with purchasing right through production and selling.

   Well-coordinated actions will result from standardization of activities and lead to meeting promises as made. If we go back to the example of sandwiches, all actions involved from product preparation to delivery have to be standardized under a common set of guidelines – production, delivery, sales, and transportation. One action out of the standards can land the company into trouble by affecting one or a set of promises the company has explicitly made with its customers.

   All standardized actions are the touch points brand management has with other functions. They must converge, so that you can uphold your contract. Any lapses at the cold storage in terms of maintenance of the requisite temperature will lead to abuse of meat quality. Inefficient transportation of ingredients may cause delays in preparation and delivery of product. Lack of training of staff may not keep the service as pleasant as the company may claim. These possibilities exemplify the need for all to work like a cohesive whole in which all actions are repeated accurately according to standards day in and day out.

3. **Fulfill Good Promises**

   Once standards are in place, it is the job of managers to develop a standards-compliant culture. Such a culture keeps all checks in place and prevents people from omitting major as well as minor tasks. Companies should not become complacent at this juncture and leave things to juniors or chances in the hope that all systems are being followed. Systems and procedures being in place is no guarantee of compliance of standards. Strict adherence to procedures is even more important than constituting those procedures. Execution is gaining more and more importance nowadays – even more than strategies. Management must involve itself to ensure adherence of all procedural tasks to the standards for fulfillment of promises.

   Fulfillment of good promises, at times, escapes attention because management is shifting its business strategy. Shift comes in shape of expansion of business, a major change in distribution, or entry into a new line altogether. It is here that commitment of management as part of brand vision counts. The example of business expansion through adding restaurants to its line expresses this phenomenon. The company has to ensure that existing good promises keep getting translated into benefits and the new ones get absorbed into the basket of benefits offered to customers.

   In case of a new offer, if the new line is pursued in more enthusiasm than the promises of the existing brand require, then you may damage your brand.

4. **Uncover Bad Promises**

   Through a consistent contact with the marketplace and through research studies, one can easily uncover the negative promises. Once uncovered, the strategy to fix those and turn

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them into good promises should not be difficult. One must convert the shortcomings into strengths.

Summary – lecture 13 and brand contract part of lecture14

Brand contract is a function of promises made and fulfilled. Companies have to be very careful in making promises, for the promises not fulfilled turn into negative promises and can undermine the brand's reputation.

The whole company should be involved while it puts together the promises to be delivered, for that constitutes upholding the contract. There are four fundamental principles that guide us to develop a brand's contract. First of all, we must understand the customer's perspective and then get on to developing features that are full of promises. We, then, should move on to developing standards for delivering the promises and follow that step with fulfilling good promises. We must not forget to undertake an effort to unearth any bad promises that the contract may carry with it.

In short, understand the good promises. Communicate them to customers, identify new promises that may improve the brand contract, uncover the negative ones, fix them, and then develop brand contract.

CRAFTING A BRAND-BASED CUSTOMER MODEL

The intention of developing a brand-based model is to understand the beliefs and behavior of customers. This understanding leads us to determine why customers buy what they buy. This also makes us understand buyers' underlying motives for taking the decisions they take to buy brands of their preference. With the intention to win over customers and retaining them over a long period of time, we study their purchasing actions toward our brands and those of competitors.

The behavior of buyers goes under a change with changing circumstances. And, so do their beliefs. This evolution dictates that brands also change and correspond to the changing behavior of buyers. It is for this reason that brands also are kept contemporary so that they can respond to customers' evolving behavior. If a company does not do that, competition will take over.

In an attempt to keep customers loyal and to prove that their needs and beliefs are paramount, companies innovate and achieve differentiation. Since everyone follows the same thinking, innovations become market standards and all competitors follow suit with similar brands of good quality. Eating into the area of differentiation, competitors try to erase the advantage that your brand enjoys. This becomes a challenging question for brand managers, who have to have an answer to this challenge.

The model should conform to value pyramid

The answer lies in making your brand so powerful that customers can emotionally relate themselves with it. Brand at the top of the brand value pyramid conforms more to a brand-based model. Staying at the pinnacle of the pyramid involves the process of continuously renewing the brand difference. This renewal rejuvenates the brand and keeps it contemporary, and, hence, stays as the basis of customer preference.

Continuously renewing the difference makes your product more acceptable, for it is perceived as the one conforming to the changing behavior and beliefs of customers. In most of the consumer products categories, the percentage of customers who are loyal to just one brand is not very high, and that places good brands with differentiating and evolved features at a fairly decent level of acceptability. Figure 20 testifies this phenomenon[1].

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The higher the percentage of loyal customers to just one brand, the more sensitive is the decision to bring about a change in that brand. Those who smoke will agree that a change in package design of a cigarette pack may be perceived as a change in the taste profile of the smoke. Such a perception may throw the brand out of consumers' favor. Loyalty to one brand in the category of cigarettes is the highest – 71% as per the above graphics.

Figure 20

Conversely, changes in fashion jeans may provide brand managers with opportunities to gain more customers, for not more than 33% of customers are loyal to just one brand. This also makes room for other brands in the market. Continuous rejuvenation of brands is important so that you can stay within the favorable limits of the customers who look for points of difference.

Three primary questions

The brand-based model answers three questions relating how and what sides of customer decisions[2].

1. How do consumers choose one brand over another?
2. How does your brand stack up against competition?
3. What opportunities exist for brand growth and expansion?

Question 1

To answer this question, we have to be clear about three factors:

a. We must know what customer buying criteria is
b. We must rate that criteria
c. We must know who makes buying decisions

Factor a - customer buying criteria

The criteria for buying relate to all attributes that a brand carries with it.

Most of the attributes are price, easy availability, convenience, quality, good history, innovativeness (for manufactured goods), consistent performance, fit with customer's personality, good relationship at personal level, good representatives, past experiences, length of relationship, and advertising to name a few important ones. These factors have been cited in most of the consumer research models and, hence, should be taken seriously. Customer-friendly attributes generate trust among customers. Trust runs across all the attributes that create it. If customers believe in the quality of your brand, they will perceive the price right, believe it will give them consistent performance, and develop a good relationship with the brand. Trust implies that customers know what they are going to buy and therefore needs to be built.

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Lesson 15

BRAND BASED CUSTOMER MODEL

Factor b - Rating buying criteria

Rating is all about drawing comparisons with competition. You compare two to three brands and compare them across pre-mentioned characteristics. By assigning weight to all the characteristics, you can arrive at an interesting conclusion where your brand stands in terms of consumer perceptions1.

Figure 21

Rating Buying Criteria			
Buying Criterion	**Brand A**	**Brand B**	**Brand C**
• Price	3	4	3
• Accessibility	5	2	1
• Quality	4	3	4
• Customer service	3	3	3
• Reliability	5	3	4
• Consistent performance	5	3	4
• Price value relationship	3	4	3

By assigning a weight on a scale of 1 – 5 we can determine levels of preferences in relation to the criterion that we have in the first column. Brand B tops the list on price and therefore on price value relationship as well. However, it is poor on availability with a weight of 2 and seems to marginally sit on the average threshold of 3 on the remaining attributes. The remaining brands A and C can be assessed on these criteria.

It is difficult to know why customers choose one brand over the other, for the decision process goes on in the mind of the customer and involves so many psychological factors. We nonetheless can know through rating of the criteria the status of our brand.

Research must go on to get confidence about our decisions; what researchers have concluded from various studies about brand perception is2:

1. People perceive the brand as a whole: Psychologically, they form the concept as a whole, rather than forming impressions and beliefs analytically on the basis of separate pieces.
2. Perception is selective: Not all the info is absorbed. Info passes through a process of filtering; and some is absorbed; some is forgotten.
3. Consumers' perception is the reality: A deliveryman (of sandwiches) with unhygienic upkeep may tarnish the image of a wonderful product. Unhygienic set-up becomes customer's belief.
4. The magical number seven, plus or minus two: On the basis of a scientific study, humans cannot cope with more than seven items at a time. In case of low-involvement items (FMCGs), it may be minus two, which are five. You have to be at least in those five.
5. The brand has a personality: Consumers can imagine brands that have distinct personalities, with characteristics they can describe.
6. The more complete and balanced the brand identity, the stronger is the relationship between the customer and the brand, and the better the customer can describe the brand.

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We can conclude that consumers have a large amount of information from different sources – experience, word of mouth, observations, advertising, and retailers etc. They can absorb some of it and forget some of it3.

1. They use very little info in routine purchases of low-involvement items.
2. 25 percent spend no time in their decision making.
3. 56 percent spend less than 8 seconds.
4. They cannot cope with a lot many items of info at a time.
5. The implication here is that "brand messages must be simple and focused".
6. That keeps their beliefs and decisions straight forward.

Factor c - who makes buying decisions?

It is important to know for brand managers the people involved in the decision making process to buy a brand. Managers must know if there are more than one decision maker and influencer for buying the brand. The objective here is to understand who they are so that brand managers can smartly involve them in the decision-making process. For so many consumer goods you see commercials that present the whole family as potential buyers and hence communicate with all of them.

This understanding enables brand managers to better position their brand and hence maximize its influence and value in the category.

Question 2

This question requires understanding and clarity of the following areas:

- What brands customers think are our competitors?
- What do our customers believe about our competitors?
- What are the strengths and weaknesses of our competitive brands?

Identify your competitors

The understanding of the first factor (our competitive brands as per customers' perception) will come in clarity if we consider all our direct and indirect competitors. The comprehensive industry analysis that you carried out will give you better insights into the category as a whole.

A company selling juices should consider all thirst quenchers including cola/un-cola drinks and mineral water as its competitors. Broadening the scope of the category gives you better insights into the dynamics of competition.

As another example, a manufacturer of safety matches should not ignore all those manufacturers involved in making disposable lighters, because they cater to the needs of a major segment of the overall "lights" market.

Compare your brand with competition

This clarifies the last two areas of (customers' belief about our competition) and (strengths and weaknesses of our competitors). Unless compared against competition from customers' point of view, we cannot realistically assess our brand. Drawing comparisons on what benefits and values competitors offer and how our brand stack up against those offers a level ground from where we can have some startling findings obscure to us without such a comparison.

Knowing where we realistically stand, we can devise realistic strategies and future direction.

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Lesson 16

BRAND BASED CUSTOMER MODEL

We continue with our discussion on comparisons with competition to asses our brand and develop a customer oriented model.

Question 3

This question (opportunities for growth and expansion) demands clarity of the following two factors:

- What are customers' beliefs about the segment and the category?
- What unmet needs are there, which can be addressed?

Since we are attempting to learn how to come up with a brand-based customer model, the focus of this question remains customers' perspective and not company's own. You have to make an effort to unearth how customers feel about benefits and values that must be offered by brands within the category.

As an example, a telephone company (a private sector company) may find out from customers that they (customers) will like to have telephone and internet facility through the same line without disturbance of one by the other.

Another example could be that of an internet service provider (ISP) to start offering wireless internet services to fulfill customers' need for a trouble- and frequency-distortion free connection only after having been in contact with its customers.

The key to understanding customers' perspective is to stay in contact with them, either through structured research or informal contact. A Japanese company follows as a regular practice their senior managers' contact with Japanese families through pre-arranged appointments. The executives talk with the families to find out their comments on the needs that still remain unmet or the ones that have sprung up merely due to circumstantial evolution1. They seize the opportunity and give a solution to customers. They know that they cannot stay the course too long. Competition will jump in and occupy the slot that very naturally could have been theirs.

The clarity on the two factors is a prerequisite to understanding to what extent are there opportunities to expand? An in-depth analysis will lead to some blank areas in terms of customers' beliefs. Even if the company managers are sensitive to fulfill unmet needs owing to their knowledge of the market, knowing customers' point of view will only strengthen managers' strategic thoughts and planned moves.

<u>Summary – brand-based customer model, lecture 14 through here</u>

A brand-based customer model is all about creating, maintaining, and leveraging your brand by keeping the focus on customers. We have to stay close to the customer and make the customer the basis of all branding decisions.

Seek customers' perspective of competitors' products as well and have formal and informal ways and means to assess your brand as it stands in the competitive setup. In other words, understand your brand vis-à-vis competition to make realistic decisions about sustaining your brand. Keep you brand current and contemporary through innovations and maintain the pinnacle of the brand value pyramid.

Understand the category from customers' point of view and identify all those needs that are still unmet. That will give you leads into expanding and growing your business. If you go slowly, then competition will not waste a moment to take over.

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POSITIONING

An understanding of the category and the roles played by competition (all brands) leads us to develop the positioning for our brand. Positioning is very central to having the right strategies at work to achieve our brand management and overall business goals.

Positioning is an approach to communication that solves communication problem by highlighting very special features of your brand. It is important to understand why and how it started?

Product era

It started in the middle of the last century, in fifties. Back then, it was the product era. New technologies were emerging and subsequent innovations led to emergence of a host of new products and their variations. Advertisers and advertising agents thought it prudent to talk about the differentiated features of their products in a fairly straightforward manner. Consumers saw the difference and advertising made its mark. This was the time of unique selling proposition - USP. Talking about the USP is not discarded even today. However, the objective here is to have the historical perspective right.

With technology reaching a high level across so many categories and boundaries, level of innovations decreased while communication remained at its peak. The net result was that everyone was talking about almost the same thing because there were a lot of "me-too" products and that marked the end of an era – "the product era1"

Image Era

Advertising experts thought of changing the strategy to revitalize advertising and that marked the beginning of an era known as "the image era". The general thinking was – talk of the image and the consumer would pay attention. If the product era was killed by me-too products, the image era was killed by me-too companies2.

As and when industry and markets graduated from one era to another, the level and magnitude of communication increased exponentially. Communicating was the norm and thought of something that would do the trick for marketers. Resultantly, the problem all marketers faced was of over-communication.

It is interesting to note that the two advertising executives who propounded the very concept of positioning back in the 1970s for the first time called that era over-communicated. The question that arose so many years ago, and is still valid, is, "how to communicate and get heard in the overly communicated society".

The Positioning Era

The two authors of the concept believe that to be successful you have to touch base with reality3. The only reality that counts is what is already in the mind of the prospect. Creativity for the sake of creating something new does not help. And, therefore, image building through advertising meant to create something that does not already exist in consumer's mind doesn't help. Creating something of that sort is very difficult, if not outright impossible, the authors believe.

In other words, the thrust of the concept of positioning is to do something effectively with what already exists in prospect's mind and then capitalize on it. Therefore, the basic approach of positioning is not to create something new, but to manipulate what is already there in the mind and to retie the connections that already exist, claim the authors4.

As a defense mechanism against over-communication, the mind rejects a lot of information and accepts only the one that matches with the prior knowledge, or that complements the prior knowledge. The only defense mechanism is that a person has an oversimplified mind. Marketing people therefore should ignore the sending side and do something with the receiving

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side – the prospect's mind. You concentrate on the prospect's perceptions and simplify the process.

Positioning therefore is not something that you do to the product. It is something you do to the prospect's mind. You position the product in the mind of the prospect.

How positioning works

Experience has it that positioning works best when you emphasize on things that are not. If you introduce chewing gum for health conscious people, you position it as "sugar-free", meaning it is not sugar.

The first car was advertised as the "horseless" carriage. It had no horse and hence it was different. That positioned the new invention against the transportation of the time. You highlight the differentiated feature by talking of something that is not there, but at the same time is in the mind of the prospect. This is a good example of manipulating something that already exists in prospect's mind.
Things ***-that are not*** -can be found in areas other than the basic product itself. This implies that to effectively position a product in prospects' mind, you do not always have to talk about the product itself.
If you introduce a low-price item in response to a genuine need, you can position it from price point of view and talk of the product as a low-price item, meaning it is not a high-price item. Improving distribution with the help of a new product can go a long way in positioning it as the one that has hassle-free distribution.

An important factor
The most important thing is that you have to be the first one to get into the consumer's mind with the position that you want occupied[5].
The market research that we carry out as part of customer-based model help companies identify the areas of growth and expansion and therefore identification of the genuine unmet needs. You must take the lead, start talking of the unmet need(s), and be the first one to get into the minds of the prospects.

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Lesson 17

POSITIONING

Introduction

This lecture discusses dimensions of strong positioning. What is it that happens to your brand in terms of its strategic placement on the market and future direction is discussed hereunder.

Competition drives customers to go by comparisons and a process of selection, which is governed by four fundamental questions – brand for what; brand for whom; brand for when; and, brand against whom.

The discussion touches upon the abovementioned questions that you undertake while positioning your brand to essentially make it distinguishable from others. With that understanding, effort is made to define positioning and then discuss various components of the definition in relation to a hypothetical positioning statement.

Strong Positioning

A strong positioning has the following properties[1]:

- Unique valued place
  A strong brand position means a brand has a unique, credible, sustainable, and valued place in customers' mind.
- Revolves around a benefit
  It revolves around a benefit, which makes the brand stand apart from competition.
- Provides focus
  It makes the organization focus its resources and follow the right direction.
- Externally driven
  Positioning is externally driven, meaning it has to be owned by customers.
- New avenues for brand leveraging
  Good positioning opens many new avenues for the brands to leverage themselves in areas of growth.
- Key determinant of operational strategies
  Positioning is the key determinant of key operational strategies that form a company's strategic direction.

All the above factors mean that through positioning you can distinguish your brand from the rest of the crowd. You do that by communicating the distinctive characteristics of your brand. The prospects already have a picture in their minds. You capitalize on that.

In case yours is a new brand, you must try hard to create a position which is unique, and then must not stop there. You communicate that by being the first one to start the communication process and keep communicating (regularly or momentarily) that until you have created a position in customers' mind.

What is different about your brand does appeal to customers. And, this appeal results from an analytical process based on the following four questions2.

1. ***A brand for what?*** This refers to brand promise and the benefit – an orange drink having real orange pulp can be positioned by claiming that benefit. You are positioning the product against no-pulp, which is the market norm. Therefore, you are manipulating the picture that already is in consumer's mind.
2. ***A brand for whom?*** This refers to the target segment. It is important to understand the category in absolute clarity and the segments it consists of. You position your brand for the right target segment and not others.
3. ***A brand for when?*** This refers to the occasion when the product will be used. Milk is milk, and it can be drunk any time of the day by anyone. But, if you introduce an offering

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with features offering special benefits to tea drinkers, you position that milk for that purpose and communicate with tea drinkers not to deny themselves the benefit of enjoying the best milk good tea deserves. If you find out as part of your effort to expand the category, through research and informal communication, that consumers are looking for a milk variation best suited to desserts, then you should position a milk product for that purpose and communicate what it is not. This implies that you highlight the special nature of that milk and tell you prospects that it is not the ordinary thing; rather it is something special that needs their attention to satisfy a special need.

4. ***A brand against whom?*** In the competitive context, it explains competitors from whom we expect to capture business. By introducing milk offerings that are so different in character you should know the competitors as well as your own business that may be affected by those introductions.

Positioning, therefore, means that all consumer choices are based on comparison and a selection process defined by the questions we have just discussed above. These questions help position a new brand by making brand's contribution obvious to consumers.

Definition

With the understanding developed through the above discussion, we can define positioning as follows:

"It is a concise statement that summarizes brand's commitment or promise to target consumers and actively communicates the advantage over competing brands."

Going by the definition, positioning has three primary components[3]:

- The component of company business
- The component of target market
- The component of point of difference and key benefits

Understanding of components through an example

In order to better understand the components let's develop and discuss the positioning statement of the fast food set-up.

"Brand XYZ seeks to be perceived as top quality player in the area of fast food of international standards. It intends to sell price-effective, high-quality, cold gourmet sandwiches delivered free primarily at lunch time".

XYZ is talking about company business, the category, and promising its target market fullest value for their money through differentiated features, while fulfilling three fundamental determinants of consumer purchase, that is

- Affordability - **A**
- Quality - **Q**
- Accessibility - **A**

With the components discussed, let us take a look at the positioning map every good organization should make to see how best can it formulate its strategic moves in light of the positioning?

Let's discuss the three components for a

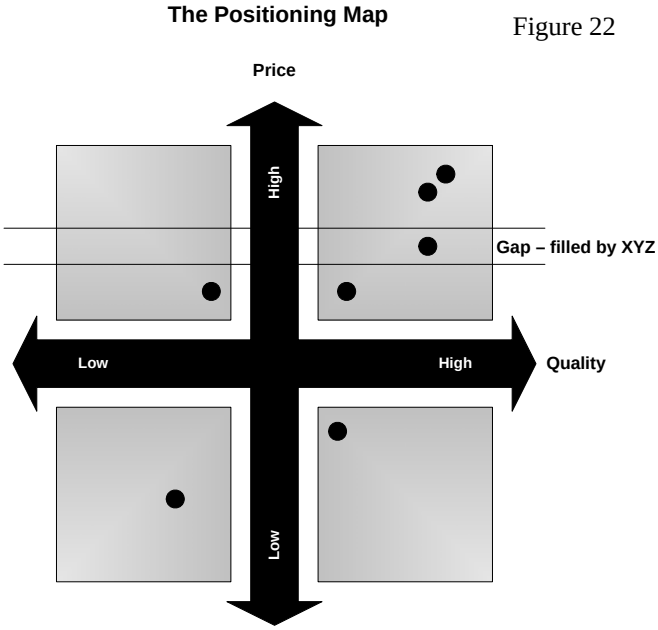

Figure 22

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better understanding by relating those to the definition of positioning.

Clarity about business

- What exactly is the category and who are the players? Know your competitors, assess their roles, and understand the category for an accurate definition of your own business.
- What is the size and growth rate? How has it shaped up over the years? Refer to industry analysis and see how different players have been playing the game. What have been the growth patterns in terms of the industry, major players, and your own firm?
- What are the entry barriers? Are there any resource constraints? Is the company fully capable of deploying resources for a comprehensive communication campaign? Without communication, positioning will not come to life.
- Will the market value our participation? Is there something missing from the market? Are we really going to fulfill a need that genuinely seeks fulfillment? If yes, then the market will definitely value our participation.
- Are there promises for multi-segment growth? Are we going to get into an area that will go across related businesses and allow us to participate in those? Company XYZ should know from the start that the potential to get into small restaurants (after having started delivery business) offers itself in all its forms and the company should be formulating its moves, adjusting promises and positioning its products in a way that multi-segmental growth becomes its hallmark.

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Lesson 18

POSITIONING

Introduction

This lecture continues to discuss the components of definition of positioning. The first component of "clarity about business and category" having been discussed in the previous lecture, the discussion now moves on to "clarity about target market" and "clarity about point of difference". An effort is also made to discuss why does the need arise to reposition the brand for considerations of growth and expansion.

Clarity about target market

- Does the market we are trying to reach fall within the target range? The product has to have complete compatibility with the likes and preferences of the target market. Creating taste profile and visual aspects of cold sandwiches by company XYZ in dissonance with the taste of professionals wanting to have sandwiches at lunch time will keep the product out of the range of the target market. The product must look like the one created for the target. It must taste like the one preferred by the target. And, it must be priced within a range acceptable to the target.
- Do they consider themselves as part of the target market? Offering cold sandwiches that basically have western taste and looks may not appeal to a working class that does not prefer any side of western culture. Such customers may not look upon themselves as the target for the product being offered to them.
- Are they reachable? The target market must be reachable through the channels that a company may use as chain of supply. Not having effective distribution in a geographical area will deprive many potential customers of using your product and hence undermine brand's value.
- Will the target market be interested in the point of difference? The question of "a product for whom" is applicable here. Fabricating a driver's cabin on an agricultural tractor may not attract many customers as another feature, for the agriculturists may be looking for something with better application to tilling of land. You have to have complete clarity about the point of difference the prospects are interested in. The positioning of the brand otherwise will not be very effective.
- Why have they not been approached before? In case the target market has not been approached for features that you may find attractive for them, think about any constraints that may impede your efforts. Do your homework properly and then decide to take the strategic action. Working on product features requiring exorbitant investment may not be worth the effort. The objective is to offer value to customer and also create value for the company to improve profitability. You have to maintain balance between the two.

Clarity about point of difference

- Is the key benefit important to customers? Very much in line with the preceding discussion, you have to determine that the key benefit is relevant for the customers. The target market of a small-sized family car may not be interested in benefits offered by sports models. Such benefits may be very attractive, but they are not important to the target customers.
- Can we really deliver it? Has it have any elements of wishes? If the company does not have the capability, due to any given reasons, then the point of difference remains just a wish devoid of reality. Brand managers should not tax their energies on such wishful ventures.

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- Can we sustain this point of difference over time? A very important question, it must be asked and answered a lot of times before positioning a brand. Company XYZ has to make it absolutely sure that it can deliver the sandwiches as it promises to its customers. Sustainable ability and effort are more important than the initial enthusiasm to undertake the project. The company must be able to always deliver the way it envisages while defining the position of its brand.
- Can we further fortify it? The beauty of creating a position for the brand lies in further fortifying it. Fortification of positioning comes through factors like having technology edge, quality human resource, and financial resource to name a few. At the same time, the market must offer you the opportunity to involve your resources in fortifying the position of your brand. Entering with a quality product and all the resources in a market that is shrinking may not offer you the opportunity to fortify your brand's position.
- Where can it place us on the brand value pyramid? Clarity about which stage of the value pyramid the product belongs is important. It enables you to formulate compatible strategic moves to work on the position of the brand.

Ramifications caused by a change in positioning

Subtle (not very obvious) changes are caused to positioning of your brand as and when you grow and expand. The very factor of staying current and contemporary brings such slight changes. You are getting into innovations and raising your standards to keep occupying the brand pinnacle position.

A change in features and attributes will and should cause a change in price. An upward change in price is taken for granted. A downward change can also occur due to changing market conditions. You must stay sensitive to any ramifications in terms of segmental changes. If such changes occur, then you must be ready to make adjustments to your communication tactics.

Sheer reinforcement of the delivery concept at company XYZ may necessitate new equipment and better logistics. Growth potential will necessitate (part of the vision) putting up of small utility restaurants. It will cause a change in the positioning of the brand, which before the introduction of restaurants is all about delivering free to customers. The company with the induction of restaurants is now attracting customers to its points of sale. This shift may call for a change in positioning, which in turn means adjusting your communication strategies.

Adjusting and then strengthening your brand's position becomes an objective, because that brings the brand more and more credibility. This becomes a case of meeting growth with credibility. That is why it is said that positioning is the determinant of key operational strategies.

The factors that we have discussed definitely have a bearing on pricing, distribution, and investment strategies as primary strategies and also on a few other associated strategies like location of restaurants and the decision to go or not go for franchising etc.

Ramifications of a shift in positioning must be considered very carefully. Credibility must never be lost, for the established position in the mind of the customer has to be not only maintained but fortified, whenever possible.

A real life example of a shift in positioning by a major European car manufacturer Volvo explains the phenomenon with authenticity[1]. This maker of cars is known for safety standards. Communication about those features has always been the hallmark of Volvo's advertising and brand contract to maintain that particular position of safety.

The maker decided to change the position to high-performance cars instead of maintaining the position of intelligent design with focus on safety features. It was such a departure from the original position that prospects could not accept that information on high performance. Their over-simplified mind had safety features as the established position occupied by Volvo. A

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sudden departure from the original position to the one adopted made the prospects think the company probably had compromised the safety features. The shift in positioning was not managed with credibility. Sales dropped!

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Lesson 19

POSITIONING – GUIDING PRINCIPLES

Introduction

This lecture is devoted to the guiding principles, as Scot Davis puts them, relating how to reposition and maintain an established position[1]. Five principles are discussed hereunder:

1. Update your position as necessary

Before updating positioning, one must take a look at the present position to see if it is still relevant to the target audience, fulfills needs, customer shifts, market dynamics, and company goals. Generally speaking, the moment you realize that there are unmet needs, you must start thinking about re-positioning the brand.

According to Davis, it takes about three to five years to change the position. There are five different criteria to judge if there is need for updating2. The criteria are illustrated graphically with the help of figure 23 on the next page.

Value

Does the target market value our positioning? If it does, then there is no need to change the positioning. If it does not, then there should be a cause for concern about changing the positioning of our brand. To realistically assess the situation, we need to ask ourselves the following questions:

- Do customers feel motivated to buy? Any drop in the level of sales should indicate a corresponding drop in motivation. However, before waiting for that eventuality, we should conduct research from time to time to assess the level of customers' motivation to buy.
- Do they really prefer over competition? Continued preference of our brand is an indication that we do not change the positioning. Our research about how our brand stacks up against competition is a fair guide to gauge if a shift in positioning is required.
- Do they really feel getting benefits? Should there be a change in customers' perception about getting the expected benefits; the time is then ripe for studying the evolving changes and acting on keeping the brand current and contemporary.
- Do they feel their needs are being met? This is an extension of the preceding question and requires finding out any unmet needs that may have arisen due to evolving changes. Does the market allow us to charge a premium? If our brand is enjoying the pinnacle, then it should enjoy price premium with indication of not causing a shift in positioning. However, continual research should send us signals about the need to cause desired shifts in a way that we maintain product credibility and the pinnacle.
- Does the positioning cut across segments? A strong position should take us into a multi-segmental situation. If it does not, then we may look into the reasons for weak positioning and the need to cause a shift.

Uniqueness

Does the position make our brand unique and exclude competition? The moment customers stop considering our brand as unique, we should have a cause for managing a shift in positioning. We should consider the following questions:

- Do customers consider our brand positioning as something really unique, different from others?

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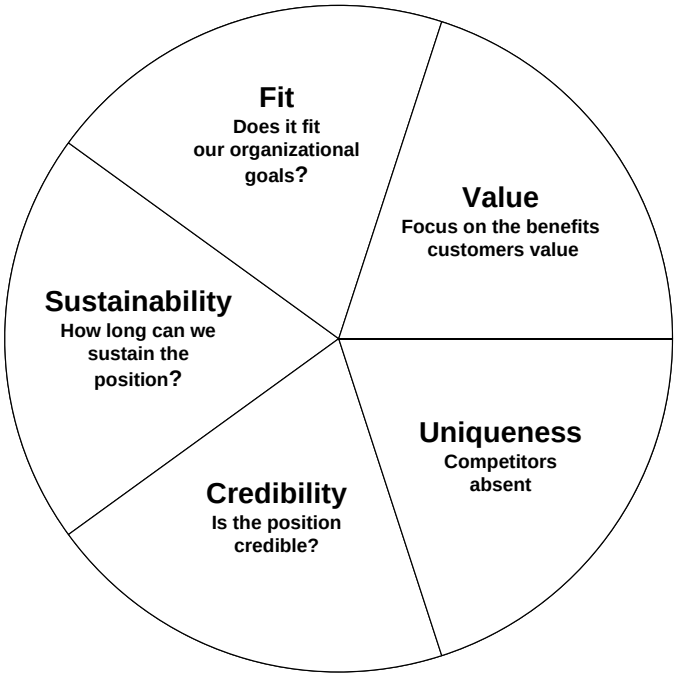
Figure 23

Five Criteria To Update Brand Position



Source: Scot M. Davis, "Brand Asset Management"

- Does our brand really offer a unique value proposition? We should not leave anything to our judgment. Research should be carried out to determine if customers still perceive our offering carrying the USP we created.
- Do customers immediately recall our brand when we tell them the position? If they do not, then our brand has lost uniqueness and desires a shift in positioning.

Credibility

Is our brand positioning credible in the marketplace? Credibility comes with keeping the brand contract while we go through innovations to stay current. A consistent customer perception that our brand is credible is one factor that sustains our brand's position. If the case is otherwise, then we must ask ourselves the following questions:

- What must be done to make our positioning credible? An analysis of promises made and delivered, that is, brand contract must be carried out to determine how we can make our position credible.
- Are there competitive brands that are as much credible? If others also are as much credible as our brand, then it calls for an effort to offer customers even higher value not necessarily through the physical aspects of the product, but through other variables of the marketing mix.
- Is the positioning credible enough to let management commit financial resources? An exceptionally strong positioning should allow management to commit more resources. If company XYZ is successful in achieving the target volumes by delivering free, then it

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should have the confidence to start investing into restaurants to expand its business and determine the shift in positioning expansion and growth will cause.

Sustainability

Can we sustain the position for a long time? Uniqueness of the selling proposition brings sustainability to positioning. A famous tea brand may have the confidence to sustain its position on the ground that its exceptionally attractive color, aroma, and taste owe to a special variety of tea crop along with blending expertise of the company. Also knowing that it is hard for others to follow them may double their confidence that position can be sustained. Should there be questions about sustainability, may those look like the following:

- Is it that we can no longer sustain the position? Knowing that others are catching up with us, we should consider introducing newer features and a shift in position with credibility.
- Is it that the needs and wants will remain the same for quite sometime? Knowledge of a change of needs and wants should make us work on improvements and management of shifts in positioning. Japanese cars that were mostly positioned on their fuel efficiency and provision of services have gone past such positions and successfully managed shifts to positions of newer environment friendly technologies. Hybrid models (that run on gasoline and battery generated power) by Toyota and Honda are excellent examples of sustaining positions with credibility while they address to changing needs of customers – needs to have cars that are innovated and yet fuel efficient.
- Is it that the position might be copied quickly by the competition? The shift in positioning should be caused either by increasing value to the customer or repositioning the competition by communicating what your product is not, virtually meaning what competition is. The ice cream clash between Yummy and Wall's centered on Yummy's advertising claim that its ice cream was not a non-dairy ice cream, meaning that Wall's was.
- Why do we need to sustain the position internally and externally? A company must be clear about the level of internal mobilization of resources – human and material – and be sensitive to the need for effective customer-driven marketing. One without the other may disturb sustainability.

Fit

Does it have a perfect fit with the organization? No matter how attractive and logical a positioning may be, it is not worthy of creating and maintaining if it does not have a fit with the organization. We must consider the following questions to ensure that there is fit of positioning with the organization.

- Does it promise fulfilling our goals? If the position cannot help the company fulfill its goals, it needs to be changed. Positioning stems out of the understanding of the category followed by segmentation and differentiation. It therefore has to flow out of the strategic vision for the business, meaning it must be able to create a level of business that fulfills goals.
- Does it have the potential to fill the growth gap? An extension of the above explanation, god positioning must contribute toward filling the growth gap.
- Will it really enhance value and profitability of the company? Good positioning must offer value to the company and add to profitability. If it does not, then it requires changes.

All the variables of the above-discussed criteria will guide us to decide whether or not we should change our positioning.

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2. Brand positioning should drive all brand strategies

Our discussion early with regard to changing goals for the fast food restaurant was clear enough to suggest how strategies are driven by positioning. As long as the company has thrust on free delivery, its strategy will be to have a credible delivery system in place.

The moment growth starts necessitating branching out into restaurants the strategy will be different. The strategy will be to highlight presence through utility restaurants for attracting customers there while simultaneously supplement the existing delivery system. A changed position in response to growth and expansion causes changes in strategies. The job of managers is to ensure that change takes place with credibility and no disturbances at all.

3. Senior management must lead the charge

Total commitment on part of the management is essential. They have to prove that their support is based on sincerity to the brand; it is going to set an example for the rest of the company. In other words, their support to strategies will mark their commitment to those strategies and goals. Others will follow.

4. Employees bring positioning to life

Despite being externally driven, positioning has to be internally sold to all employees. Internal and interactive marketing is required to bring everyone on the same wavelength. All employees have to become brand ambassadors and work for bringing the positioning to life internally first and externally later.

Scot Davis puts the requisite internal marketing in an effective and easy-to-understand way by coining the acronym AUDIENCE. It stands for awareness, understanding, direction, inspiration, engagement, naturalness, criteria, and education. The following has to be achieved through AUDIENCE for maximizing positioning:

AUDIENCE

- ***A:*** ***Awareness:*** All in the company should be able to clearly state brand positioning.
- ***U:*** ***Understanding:*** Thy must understand why the particular brand positioning was chosen and how that affects their daily operational routines. If positioning is about consumer-friendly pricing, the all must be sensitive to achieving cost efficiencies. If positioning is about high quality, then all must pay attention to creating it eight from purchasing to production to logistics, and inventory management.
- ***D:*** ***Direction:*** Provides a sense of direction in standardizing the operations and service standards. The standards make it easy to deliver the promise and also lay foundation for quality management.

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Lesson 20

POSITIONING – GUIDING PRINCIPLES

Introduction

The topic of this lecture is a continuation of the concept of AUDIENCE as partially discussed in the previous one[1]. It also discusses the fifth and the final principle of repositioning. With that concept wrapped up, it concludes discussion on positioning with the understanding of how to choose a realistic positioning statement.

- ***I:*** ***Inspiration:*** Your colleagues should be inspired by the results that you generate out of the formal and informal research about the positioning rationale. Those results should create a sense of inspiration to work for the brand objectives.
- ***E:*** ***Engagement:*** With the right sense of direction and inspiration, everyone will feel engaged in working for the positioning.
- ***N:*** ***Naturalness:*** If the right people are in place, then it will be natural for them to work for the stated objectives. Having the right people is important for positioning to work.
- ***C:*** ***Criteria:*** Establish criteria for rewards on achievement of objectives. Those rewarded should set examples for others to feel motivated.
- ***E:*** ***Education:*** Train your people to become brand ambassadors.

5. Strong brand positioning is customer-driven

Without getting into repetition, a correct brand picture provides you with a lot of data and information. Using that, you can come up with what is exactly the customer's needs, strengths and weaknesses of your and competitive brands. Armed with that information, you can create the right promises, deliver them, and maintain the contract to have a strong position.

Communicating the actual positioning

The most challenging decision here is to decide about the actual positioning, meaning the communication that you direct toward the target. Having the right information is not a guarantee that you will come up with the right most statement and strategies.

Given the sensitivity of the matter you need to choose a position, which has the strongest appeal to the target audience and the one the company can sustain over a long time. Toward that objective, you should develop a few strategies and then see which one is the most suitable in terms of positioning your brand.

The challenge stems from the fact that your brand carries more than one benefit. Talking about all of them does not have the punch. To keep your message straight forward and strong, you have to pick one of the benefits as the basis of your positioning statement.

In the case of brand XYZ, the positioning statement is very clear. It takes into account all the components – the category in which the brand is going to operate, the competitive benchmarks, the target market, and the point of difference.

The challenge here is, out of so many benefits the brand is going to offer (good price, high quality, easy availability, and good looks to name a few), which is the one that will keep the message simplest and strongest to position the brand in the oversimplified mind.

Positioning considerations

The criteria against which you can measure the decision mechanism can consist of the following considerations:

- One could be related to quality.
- One could be related to price.

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- One could be related to accessibility.
- Another could talk about the taste profile.
- Yet another could emphasize on appearance dimensions.
- You may think that talking about revolutionizing the service at lunch time is the hallmark of the marketing effort and hence a relevant consideration.
- Or, you may like to talk about the variety the brand XYZ offers.
- Any other that you may think of.

All of the above positioning considerations sound convincing. Whichever the company may like to choose has to stem from customer's point of view so that he can own it. For that the company must evaluate it against criteria like:

Evaluation criteria

- Are the product's looks and appearance compatible with the positioning?
- How strong is the consumer motivation behind this positioning?
- What size of market is involved in such positioning?
- Does it capitalize on competitors weaknesses?
- Is this positioning distinctive and specific?
- What financial resources this positioning requires?
- Is this a sustainable positioning, or are competitors going to imitate this in no time?
- Does this positioning leave us an alternative to switch to another positioning in case this failed?
- Does this justify a price premium?

The best way to choose the right positioning is to pick each consideration and evaluate it against all the evaluation criteria one by one. Going through this process of evaluation, you will come up with the most convincing positioning for the brand.

Coining the message

Once you have decided the positioning for the brand, you can coin the brand's message as the outward expression of the brand's inner substance. This is the message (slogan or ad line) that appears in all your communications, including the product's package. You must take charge of positioning; otherwise competitors will be quick to do that to your loss.

Positioning is the single most important activity in developing your brand management strategy. If you craft it right, then your decisions to introduce new brands, extensions, pricing, and communication become fairly straightforward, as you will see in the coming lectures.

Summary - positioning

Positioning stems from the areas of segmentation and differentiation. Knowledge about the business you are in, the target market, and the point of difference that matters for your product lays the foundation for positioning of your brand. Once done with that, you communicate the position of your brand to the target market.

Positioning is very central to brand strategy. All operational strategies stem out of the positioning of a brand. Propounded as a concept by two advertising executives, it followed the product and the image eras.

Positioning is what you do to the mind of a consumer. You communicate a piece of information about your product in a way that it gets lodged in the mind of the consumer. If the product is full of promises and upholds the brand contract, it becomes difficult for competition to dislodge it.

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Every brand manager should strive to create a strong position for his/her brand. There are certain principles that you must follow to create a strong position. While you improve your brand to keep it current, you must manage the desired shift in positioning in a subtle way. The brand must not lose credibility.

You must be careful and highly analytical in choosing the right position for your brand, for you should position it from the platform of one benefit. Talking about all benefits in your communications leads to confusing the consumer. Different benefits should be weighed against a set of criteria to choose the best position for the brand.

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Lesson 21

BRAND EXTENSION

Introduction

With an understanding developed on positioning, this lecture takes us into the area of brand extension. Although loosely used, the term brand extension comprises of two sub areas – line extension and brand extension. The latter is generally used in all situations of extensions, diversifications, or stretch. We have to draw a distinction between the two for a clear understanding of the concepts.

Concept of positioning clarifies that not one position can satisfy all the varying needs within the category. Different needs have to be identified toward their fulfillment. To keep up with the evolution you have to evolve new points of difference. Different needs refer to different segments and every product has its variants to address to those segmental needs. This holds true for consumer consumables as well as consumer durables. Regular and mild cigarettes, regular and fruit yogurt, regular and high fiber cereals, regular and low cholesterol margarine, and economy and executive models in cars are all examples of product variants in different segments and categories.

To let the market know that you have something different to offer, you must differentiate between the existing offering and the new entry. For the new entry meant to address a different need, you must create a different image reflecting the new promise and must have an evolved contract in place. You do that in either of the two ways:

A. Staying within the value framework of the original brand, meaning under the same brand name. You do not go too far away from the core identity.
B. Create a different identity altogether, meaning a new stand-alone brand.

Brand extension

Brand extension is all about the existing brands. As the terminology suggests, we do something with the existing names for the new offerings. Brand extension, therefore, is the study and practice of deciding

1. *What to do in situations that evolve with changing needs?* Examples could be cited of soups coming into different flavors, biscuits in different tastes and packs, and detergents in powder and liquid forms.
2. *What to do in situations that offer an opportunity to enter a new market altogether?* Examples could be furnished about manufacturers of juices getting into milk and yogurt, tea getting into soups, chocolate getting into ice cream, and cameras into photocopying machines etc.

Let's be clear that we are discussing both situations in relation to using our existing brand name that is strong. One situation relates getting into variants of the existing product, while other involves going across the existing business lines into new ones. Both have a common factor and that is the *same brand name*. We use the same brand name because it is strong!

Leveraging

The opportunity of using the same brand name for variants or altogether new products takes us into the domain of leveraging – adding value to the company by capitalizing on the brand as an asset. Temptation to do so is always huge. We keep the same brand name so that customers can develop an immediate familiarity with the new introductions – variants or new products. And that is what leveraging is all about!

Managers feel the need to leverage their brands under the following two different sets of circumstances:

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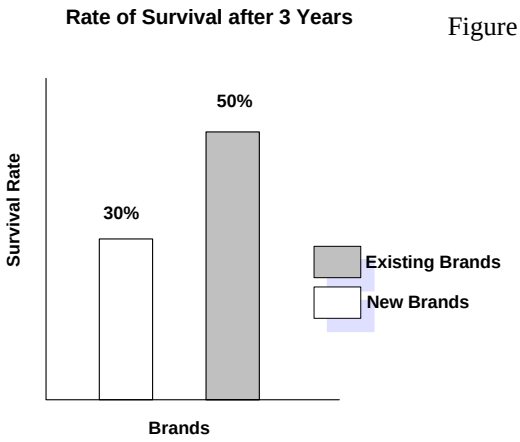
- When they are led into genuine situations of satisfying evolving needs, they feel rightly driven to leverage the brand by introducing its variants – light cigarettes and sugar-free chewing gum fall under practice 1 of brand extension discussed above.
- When it is attractive to go across category, managers do that with the confidence that their existing brand name is going to add value to their new introduction and will become popular immediately. This relates practice 2 of brand extension.

Leveraging without purpose

If managers attempt to leverage their brand only because it has high value but it does not really have a specific need to satisfy, then the managers are wandering into the marketing no-man's land and end up introducing something with no substantive difference. It is merely an exercise toward brand proliferation!

This means that brands should be seriously treated as extremely valuable properties and not subjected to meaningless extensions with minor differences. Over-proliferation is a serious threat to a brand's future. Customers show resentment to brands with no real point of difference[1].

Figure 24



Why brand extension?

Brand extension is on the rise. Most of the new product launches take place with the existing strong brand names. Cost of launching a new brand in three major markets (US, Europe, and Japan is about US$ 1 billion), whereas launching a product under the same name is a fraction of that cost. It is estimated to be one fifth[2].

30% of new brands survive just about three years, but the rate goes up to 50% if launched under an existing brand name[3]. Brand extension, therefore, is cheaper and securer. It looks like a sure way to gain market share and produce visible results.

Kinds of extensions

There are two kinds of extensions, namely line extension and brand diversification. Brand diversification is in effect brand extension, but this terminology of brand extension somehow is used generically for both types of extensions. You have to make an effort not to be confused by this.

Line extension

Line extension is basically getting into different versions of the same base product on the same market. A manufacturer of spices getting into more non-traditional spices or recipes and a cheese manufacturer getting into different kinds of packing, portions, slices, and boxes to appeal to different target audiences are examples of this phenomenon. The objective here is to add more depth to your offerings within a definite market. Line extension corresponds to practice 1 of brand extension discussed in the beginning of the lecture.

Brand diversification/extension/stretching

This refers to stretching your brand into new product fields. Your brand becomes an umbrella covering very different segments and products. A few examples are Mitsubishi, Philips, and GE. Mitsubishi includes shipyards, nuclear plants, cars, hi-fidelity systems, banks, and even food; Philips includes electrical appliances to lighting to sophisticated systems; GE is into

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aircraft engines, electrical appliances, energy and more4. They use one name because that is a direct recognition of the fact that their name is the real capital of their company. Brand diversification or extension or stretching corresponds to practice 2 of brand extension discussed earlier. It is real diversification toward different product categories and, hence, is a highly sensitive and strategic choice.

"**Line extension**" and "**brand extension**" therefore are two well differentiated concepts that must be understood for the sake of knowing how and when each will have a perfect fit with the situation. Both could be explained with the help of two graphic illustrations on the following page.

Line Extension in detail

Extending the line is an evolutionary step in the life of a brand and occurs to address the changing needs. In the words of Kapferer, just as human species survive by adapting to the environment, brands that start as single products have to adapt to the marketing environment by breaking into sub-species[5]. Toyota cars, Coca-Cola, National and Shan "Masalas", LU and English Biscuit Manufacturers' biscuit brand variations are a few examples that clarify the whole concept.

Forms of line extension

It takes on the following forms[6]:

- ***Multiplication of formats and sizes***. It is typical in cars, soft drinks, cakes, and biscuits etc.
- ***Multiplication of variety of tastes and flavors***. Yogurt, juice, and milk are excellent examples of this form.
- ***Multiplication of the type of ingredients***. Caffeine-free coffee and sugar-free juice fall into this form.
- ***Multiplication of generic forms of medicines***. For headache, a pharmaceutical company may introduce extra-strength, without drowsiness, no-allergy formulas etc.
- ***Multiplication of physical forms***. Detergents in powder and liquid; deodorants in sticks, spray, and roll-ons are perfect examples.
- ***Multiplication of product add-ons satisfying closely related needs of the same consumer.*** Mascara, lipstick, skin-care creams by one company and deodorants, shave cream, gel, and soothing balm by another are examples of this form.
- ***Multiplication of versions having a specific application***. Shoe cream for regular leather, powder or spray for suede leather – polish for wooden furniture and polish for marble top to give a few examples.

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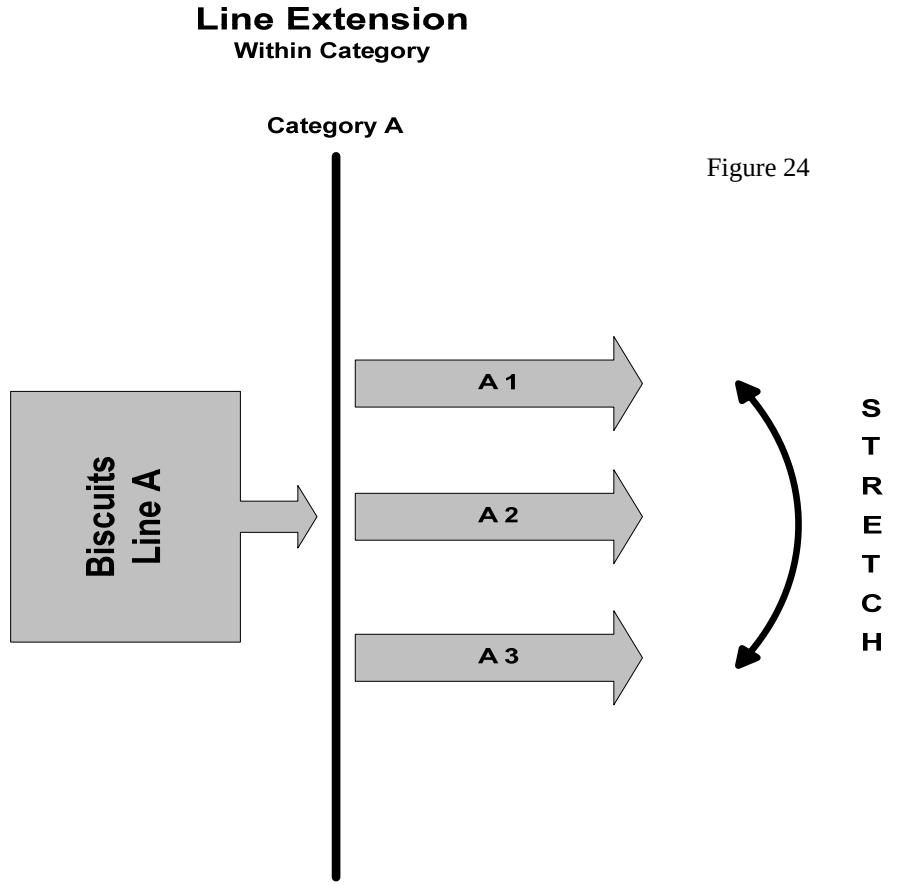

Figure 24

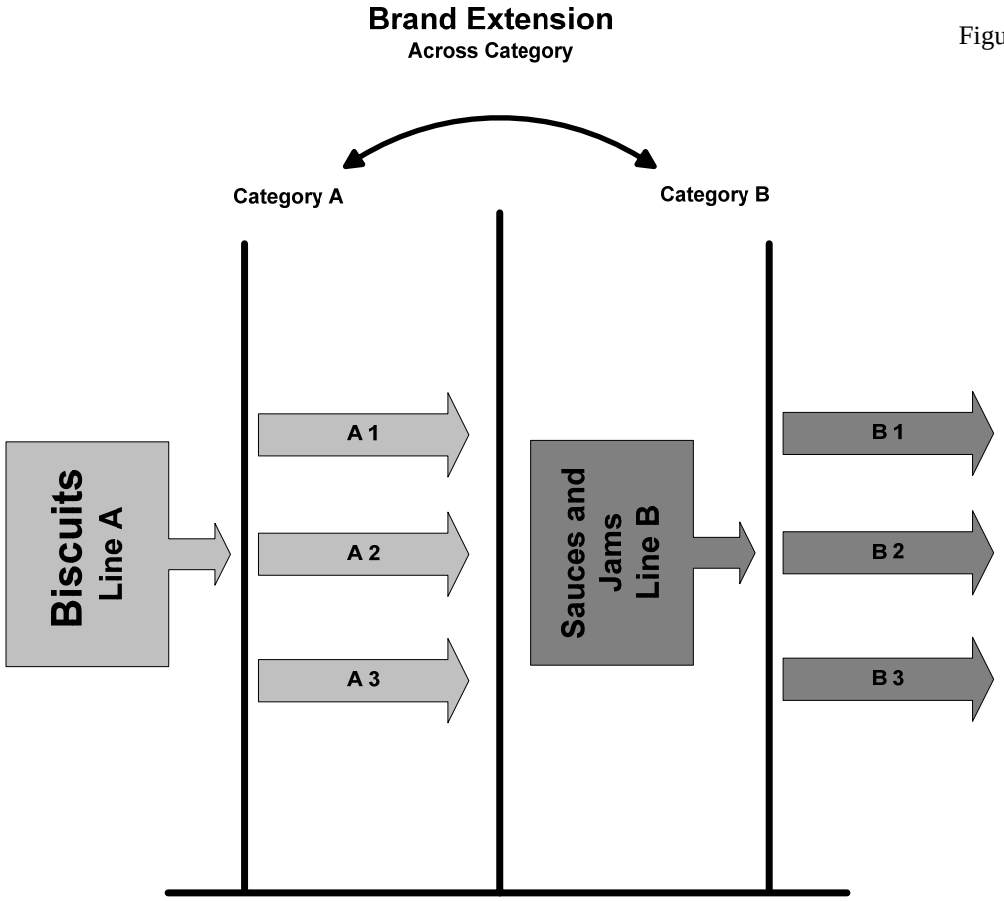

Figure 25

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Positive side of line extension

As said earlier, each brand starts as a single product and with the passage of time becomes sub-divided into variants that respond to differentiated expectations.

1. Increases Usage
   Cola drink is an example, the multiplication of versions has increased its consumer base – in family size bottle, disposable bottle, can, and returnable bottles all are directed toward increasing usage.
2. Reinforces Sales
   With each version designed for one particular usage mode, the brand reinforces its sales with a wider market base. With product variants in the categories of biscuits, cheeses, butters and margarines, and packaged cakes, you extend the market by opening a variety of eating occasions.
3. Friendly and Caring
   It shows sensitivity to consumer's needs and the brand energizes itself by responding to those. In doing so, it maintains an interesting, friendly, and caring character. A small tub of jam or a sachet of powdered milk is an example.
4. Pushes Boundaries
   It pushes the boundaries of the market and strengthens the brand's domination. It increases brand's visibility through successive launches.
5. Revitalizes failing Brands
   Line extension helps ailing and tired brands. It revitalizes many brands by way of introduction of new offerings. Because of the resilience brands have, they bounce back if they are introduced with a new fervor justified by a meaningful point of difference. Brands fail because of price competition. It helps the company launch another version with a lower price.
6. Maintain relationship between market share and shelf-space share
   Knowing that customer involvement in consumer items is low, the number of impulse buyers is increasing. Also knowing that shelf space at the retail outlet is limited, it is always good to introduce something by the existing name and keep competition pushed out.

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Lesson 22

LINE EXTENSION

Introduction

The discussion in this lecture moves on to the negative sides of extension. Having known those we shall be in a better position to realistically manage extensions and that precisely is going to be an important part of this lecture.

Negative side of line extension

1. Retailer power
   When all managers like to extend with similar objectives, the obvious results are bottlenecks at the retail level. This clutter leads to selective attitude on part of retailers who obviously are more receptive toward more powerful brands. Those that get discriminated try to react by getting into promotions, thereby making retailers and consumers happy at the same time. What ensues is obviously the price wars and erosion of brand loyalty. Not good for the brand!

2. Lack of scale economies
   As against a mono product, handling and managing a variety of products is cumbersome from production, logistics, inventory, and costing points of view. Smaller runs deprive the company of scale economies. They are more expensive. According to one study, compared with an index of 100 as the cost of production for a mono product, the corresponding cost index for differentiated products is shown on the diagram1.
   Economies of scale take on added importance if the brand sells in high volumes across a huge geographic area positioned on consumer friendly pricing.

3. Non-controlled extension weakens range
   Extensions without strong rationale can become counter-productive, because creating meaningful positioning for a variety of products within the same line becomes challenging. All positions have to be created with subtle yet distinct differences. Without meaningful differences, products tend to eat into each other's volume and cause cannibalization!

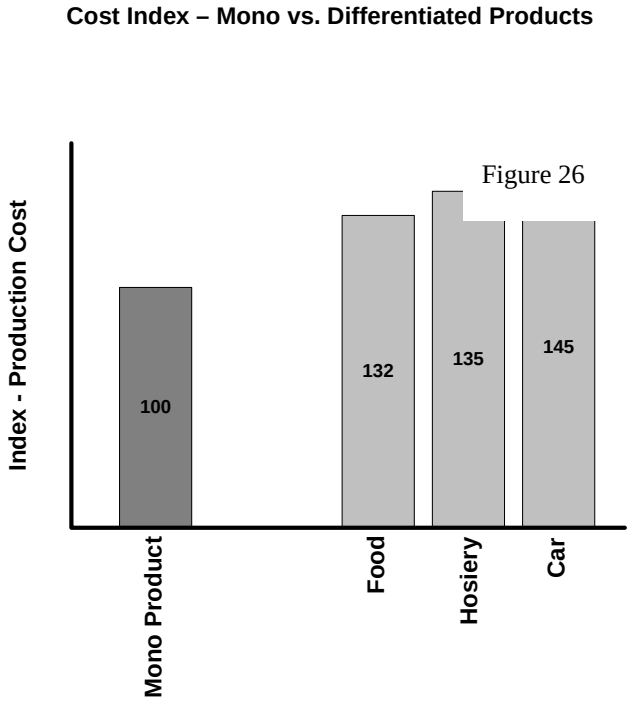

Figure 26

Reaction to negative side of extensions

There has been lately a tendency on part of the companies to de-segment or counter-segment their markets. Proctor and Gamble reduced their line by about 15 to 25 percent in 1992 only because those entries were not turning in requisite volumes and profitability[1]. It also leads to consumer frustration and that's what we learnt in terms of consumer revolt. The factor of scale economies takes a turn for better under the circumstances of de-segmentation. Lesser number of offerings leads to higher volumes, which result in lower costs of producing.

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Immediate actions for better managing line extensions

1. Improve cost accounting systems
   Management experts lay a lot of emphasis on improving cost accounting systems. Experience shows that many companies are system-deficient in this regard. You must have accurate figures to charge every range item that you produce. The objective is to determine which items are more profitable than others.

2. Allocate resources more to high-margin items
   As brand managers and good businesspeople, you must allocate marketing resources to different items in line with their contribution to the overall profitability. The extensions that give higher margins must get priority over those that attract occasional buyers.

3. Salespeople must define the role of each extension
   Each extension has to be seen in the context of its sales value. The salespersons responsible for each must produce figurative evidence of what they sell is worth its existence. Salespeople must understand the costing angle and then produce results out of the extensions that account for most of the profitable business.
   They must be able to relate profitability with high volume items. Their education as part of AUDIENCE is of significance, for mostly salespeople go after volumes no matter how high is the cost. They must understand the actual positioning of the product along with the strategic goals of financial growth. Volumes just for the sake of a high market share with low profitability may not be the company's priority at all times.
   Small volumes adding up to a certain total volume cost a lot more than the same total arrived at by less number of products. Economies!

4. Encourage product withdrawal
   Implement this philosophy and withdraw low volume items in a phased way so that your existing customers do not turn away to competition; they should rather switch over to another attractive offering within your range.

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Lesson 23

BRAND EXTENSION/ DIVERSIFICATION

Introduction

The discussion on line extension in the previous chapter gives rise to the next level of discussion on brand extension or diversification. The lecture tends to discuss the positive sides of brand extension. With powerful arguments and evidence, we shall see why brand extensions (diversifications) have become preference of brand and business managers.

Brand extension is dealing with brands that make their place in different fields or categories. These could be called a collection of different branded products having a common name. Mitsubishi and Philips have already been cited as examples. In the context of our local market, Guard brand of products are as diverse as oil filters and packaged rice. Sufi brand originally known for soaps has diversified into edible oil and mineral water. Why companies prefer to go across categories using their established brand names is an interesting exercise to carry and educate ourselves about!

Why extend/diversify the brand

1. Remaining modern and up to date

   It has become necessary. Branding is the name of the game in which brands try to surpass themselves and consumers' tastes and expectations by being responsive. Cars, electronics, and many food items are perfect examples of tangible products, while banking and courier services are convincing service areas in which services have been rationally defined and delivered, on daily basis, to consumers as products of ever-increasing standards.

   Brands that try to stick to a single product relying on communication alone to update their image do not do well. To stay modern and responsive in present day's world, brands have to stay in tune with developments in consumers' habits and practices[1]. As habits change, brands also change. A salt brand extends into an iodized offering; a spice brand offers a curry recipe, while a yogurt brand extends by offering hi-calcium yogurt for kids and young ones. Brands respond out of the energy they muster from the market. They pay back to the market by trying to fulfill emerging needs.

   If companies do not get into such practices, they run the risk of being left behind. Possible set back in one area can be compensated by prompt developments in another. So, the resourceful companies do follow this practice.

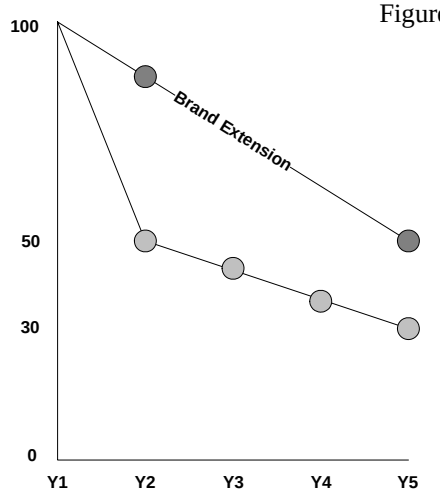
2. Higher chances of success

   Brand extensions, owing to high awareness of established brand names and other related factors, have higher chances of success at lower costs. This has been confirmed through a study by OC&C consulting firm in 1990[2].

   Retailers are more receptive to an existing brand and offer space more

Rate of Success
New Brands vs. Brand Extensions

Figure 27



Source: Brand Management by Jean-Noel Kapferer

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readily to extensions than to new brands. They always suspect new brands.

Secondly, it also has an impact on the consumers, who through another analysis by the same consulting firm have demonstrated:

- Higher rate of trying known brands.
- Higher rate of converting to known brands.
- Higher rate of developing loyalty for known brands.

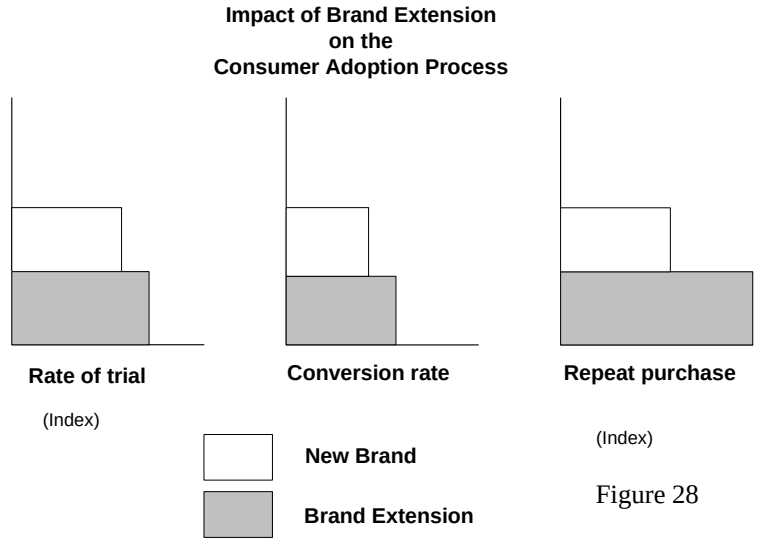

Figure 28

Source: Brand Management by Jean-Noel Kapferer

The two factors of retailers' and consumers' patronage generate a higher level of trial, conversion and loyalty[3].

3. <u>Cost of advertising</u>

   Supporting a family of different brands through advertising is very expensive. Companies seem to be putting an end to the practice of introducing new brands every time they introduce a new product. Knowing that the modern business practices and the brand logic are based on competition, it must be the objective of every company to save costs.

   Working all the time to look for a new point of difference and surpassing their own benchmarks, companies have to invest and reinvest. To recover costs, volumes have to be increased (regardless of which category you are in) to achieve high productivity and economies of scale. Costs, therefore, have to be cut wherever and whenever possible.

   Cost-cutting is possible in the area of advertising by selecting a few branded products bearing the same name to give mileage to all in various categories.

4. <u>Defends a brand at risk in its basic market</u>

   There are situations in competitive environment where an established branded product starts facing serious threats due either to:

   - Stiff competition, or
   - Shrinking category as a whole, or
   - The need to catch up with new technologies

   The best course of action for brand managers is to develop something new on the basis of brand awareness, loyalty, quality image, and also sympathy. As an example, a bicycle manufacturer may get into the market of motorbikes due to one or a combination of the above factors. Sohrab brand of bicycles and motorbikes is a case in point.

5. <u>Defines new segments</u>

   It helps define new segments. This may sound like remaining in the same market. But the fact is if a manufacturer of safety matches decides to get into the area of disposable

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lighters, the manufacturer is venturing into an industry that is totally different from match making. What is common is the target market that cuts across two industries (match lights and lighter lights) and hence leads to creating two segments of the same market of "lights".

In actuality, it is a function of so many diverse efforts like making investment into the new plant and creating an appeal for a sub-segment of smokers from within the overall segment of users of lights. While it is extension of an existing brand into a new industry, it also is an effort to define new segments within a market.

The need to do so may arise due to one of the factors discussed under the preceding point, that is, stiff competition or shrinking category of match lights.

Brand extension, therefore, also has the ability to draw fine lines within the segments and define those by taking the lead.

6. Brand extension gives access to an accumulated image capital

Part of the high prices negotiated during takeovers of companies with established brands is the intention of the acquirer to extend the brand immediately after the take over, extend it and reap the profits from the image capital of the brand. That is why many companies internationally are known as good acquisition targets because they have established brands.

Some brands have such a high awareness that those are perceived by customers to be in categories where they are not present. As an example, a famous maker of jams may be perceived to be in the market of chutneys and pickles. Realizing such a perception on part of the consumers, companies feel obliged to get into those categories. Situations that drive brand extension make it mandatory for the management to capitalize on those. Such situations reinforce the accumulated brand image. It is an interesting phenomenon; on the one hand it motivates managers to acquire from the image capital of the acquired brand and on the other it lets extensions add to the cumulative image. The graphics further illustrate the concept.

7. Essential for brand survival

It is absolutely essential to break away from the mono product in order to survive.

All products have a life-cycle and are bound to decline one day.

Before a product is subjected to the implications of the law of obsolescence, we must introduce another as a strategic move into a diversified area. The product gains from the brand name and yet it is independent having its own meaning.

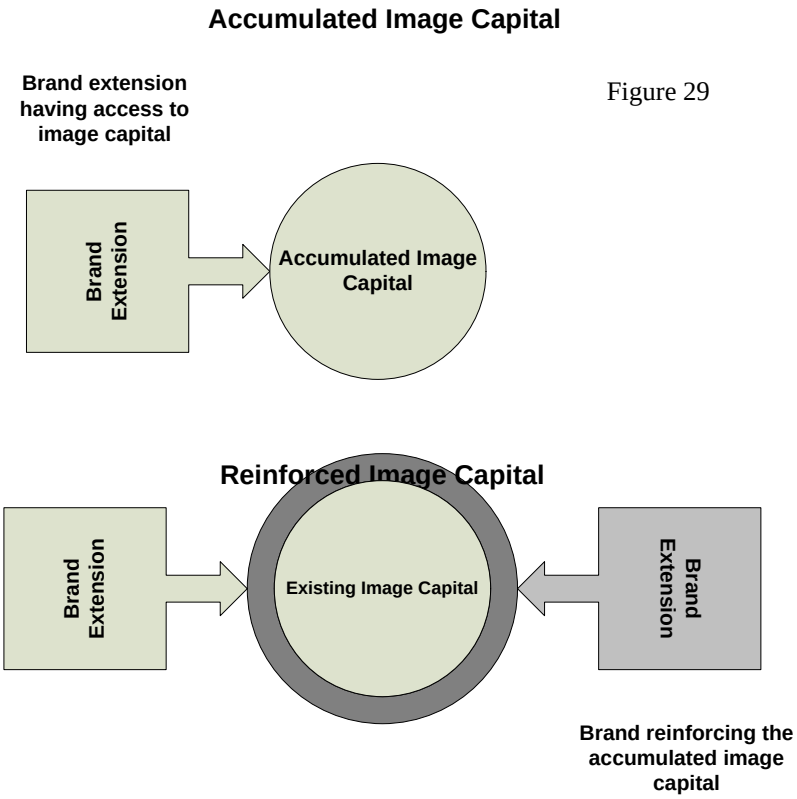

Figure 29

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Lesson 24

POSITIONING – THE BASE OF EXTENSION

Introduction

After having learnt what extensions are, the difference between line extension and brand extension, and the positive and negative sides of extensions, we now move on to the fundamentals of positioning that should be the bases of undertaking extensions. This discusses the "how" part of extensions. The lecture then emphasizes the strategic deliberations that we must have before extensions and relates those with a couple of examples for clarity.

Positioning as the key for extension

Positioning being central to brand strategy is at the core of extensions. The three components of positioning in the form of the definition of business, the target market, and the point of difference are the guidelines for positioning[1]. Whatever extensions that we may be considering have to stem either from one or a combination of these three fundamental components of positioning. Let's discuss them one by one.

Extending your target market

This extension is all about defining new segments that are going to be served by a product with features differentiated from the basic product. A bicycle manufacturer getting into manufacture of mountain bikes is extending the target market. A jeans manufacturer getting into comfortable and fashionable dress pants is again extending its target market of jeans. We may have been considering such examples before, but they were restricted only to the understanding of what extensions are. Here, the emphasis is on understanding the rationale for such extensions.

Extending the definition of business

Extension of segments or target market automatically leads you to extend your business definition. Obviously, you now want to operate in more than one segment, which requires that you extend definition of your business. Getting into more segments, in other words, means redefining the scope of the market within which the company plans to operate in a bid to satisfy more than one need with more than one offering.

Extending the target market cannot be viewed in isolation of extending the overall business. Going back to the examples of bicycles and jeans, their manufacturers have to redefine the overall businesses with emphasis on a larger scope.

Extending your point of difference

In order to make extensions meaningful, improved features with convincing benefits have to be offered to customers. Small improvements are taken for granted by customers, who expect you to keep making those for the sake of contemporariness.

Meaningful improvement with an attempt to address a different need, however, justifies an extension of the existing product. Every time you come up with a new formula of packaged yogurt (fat-free, high-calcium, or fruit formula) you are improving the point of difference and hence deserve to extend the brand. The improvement can also be in package size to suit customer needs at different occasions. A pack of yogurt to be served with in-flight meals has to be smaller and ergonomically designed keeping in view the occasion. This refers to "brand for when" and "brand for whom".

Each time a chip maker comes out with a faster chip, it extends the benefit and hence the point of difference. The point of difference, in other words, relates extra benefits that you offer your customers.

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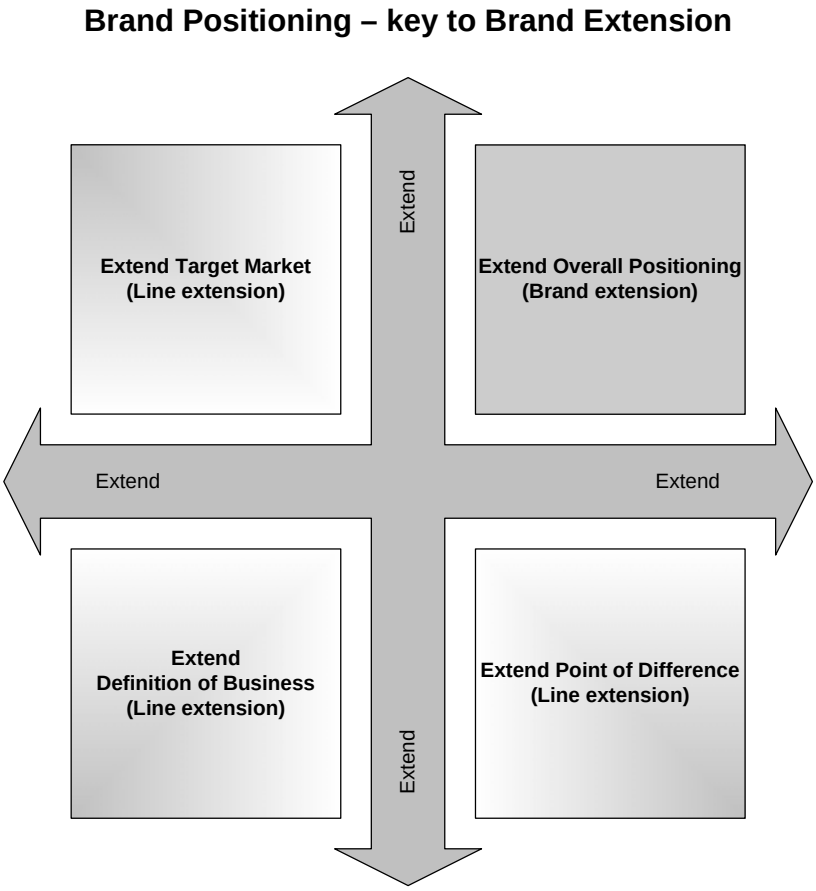
It is obvious that extending the brand on the basis of extension of the target market, overall business, and the point of difference relates to line extension. When we consider extending (diversifying/stretching) the brand into new areas, we extend the entire positioning. It is new position. The concept is graphically illustrated for clarity.

Figure 30

Extending the entire positioning

The examples of oil filters manufacturer getting into rice husking, or a company of shoes getting into the area of foods explain this concept. It is risky, but if done with the right strategic deliberations, it can make a company follow the true portfolio approach to managing its brands. What bears importance here is the need to add to image capital and not diminish it. Diversification must give the brand strength and supplement the overall brand picture.



The next step is to learn "when" part of the extension exercise. This relates to "when" part of extensions.

When should you extend your brand?

Brand extension is a very sensitive area that takes on highly strategic proportions. An extension should come by only with a strategic rationale supporting it. It must be undertaken to add strength and value to the brand and not diminish those. Therefore, before undertaking an extension, we must make some strategic deliberations relating the following factors. We must make sure that the extension

1. Is consistent with the brand vision.
2. Upholds the overall brand picture.
3. Is consistent with overall positioning

1. **Consistency with brand vision**

   Vision tells you where you are and where you want to reach. You are clear about the financial gap that you have to fill. New introductions have to be undertaken in that light keeping in view the bases of positioning. It was during development of the company vision and in turn the brand vision that you determined any related (line extension) or unrelated (brand extension) areas that you planned to enter. You did that in the light of existing brand strengths and weaknesses. That vision must lay the foundation for decisions relating extensions.

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Fast food Brand XYZ example

If the vision is all about restricting ourselves to the lunch market, then we may get into a few more entries in segments right and left of the one we chose to stage our debut. Refer to figures 10-12, lecture 7.

If the vision calls for getting into the fast food by targeting the lunch market as just the starting point, then extensions could take on different forms.

You may like to get into related lines like fried chicken, when you put up restaurants that will gradually redefine your target market and overall business.

Razor blades and shave market example

A company in the market of shaving blades may define its business as the blades market. The moment it envisions getting into shave creams, balms and other related products, it must translate that vision into creating brand extensions that are consistent with the vision.

The company is redefining its business as the one from blades to the one in personal care items. The redefinition is through extension by target market, but essentially necessitates changing the entire positioning for different products it plans to introduce.

2. **Extension must uphold and strengthen brand picture**

   We know the image of our brand and the contract it fulfills and also the fact where our brand stands against competition. Knowing this picture, we should not go wrong in extending our brand. In other words, if we have created the right brand picture it almost guarantees right kind of extendibility.

3. **Consistency with overall positioning**

   The price, the target audience, the distribution, and the quality factors must form a position that offers extendibility possibilities. Any abuse of one or more of the factors amounts to deviating from the original position of the brand. To make sure that there are consistencies between overall positioning and brand extensions, we have to make sure that the extensions do not

   - detract customers from what the parent brand stands for
   - confuse the customers in making their choice (meaningful differences)
   - cannibalize your current brand

A few more deliberations: Basically, these refer to things that should be avoided.

1. Not to have a narrow vision

   Some companies keep the brand locked up in a way that they define its scope in too narrow-minded a way. They forget that brands are broad-minded creatures that have a caring character in that they like to respond to changing needs and in the process add value to themselves and the companies[2]. The result is that the brand's real potential never blooms and it either becomes static not adding to the companies strategic goals or declines and goes into the records of history as the one that was killed for not getting an extension. The following example illustrates this thinking to the benefit of all of us.

   Managers responsible for "Maggi" at Nestle, Switzerland thought that the image of their brand was old and they needed to launch further introductions with little connection to Maggi. They locked the brand and its potential in the sense that Maggi could not cover latest and modern products[3]. This is what they thought and

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not the market. They had forgotten that brands stay alive by continuously responding to the changing expectations of their customers.

By disassociating new introductions with Maggi, they only reinforced Maggi's old image. They had forgotten that a brand proves its modernity by creating and offering new and modern products from time to time. They got caught into the product life cycle and failed to realize that brand building is a long gradual process.

The vision for the brand should not be narrow to the point that the future becomes hostage to too much focus on the past, as the case has been with Maggi. The present must be given importance to determine brand's potential to stay up-to-date. Failing this, it cannot enter the future with energy and zeal.

A manufacturer of spark plugs staying too much focused on the existing line of business cannot grow beyond a certain point by not going into other accessories.

The vision should also not be broad to the point that a company stretches it in all directions. A brand cannot be everything to everybody. The same manufacturer of spark plugs should avoid, by all logic, getting into foods.

2. Awareness and reputation of the parent

   These two always provide an advantage and have to be present at the same time. Absence of one may harm the brand. Levi's experience demonstrates that despite having high awareness, its reputation for blue jeans did not transfer into formal clothing[4]. The lesson is to be sensitively careful to extendibility if one of the factors does not seem to be working in favor of the brand. Do not do it if you are not 100% confident.

3. Brand essence should be applicable

   Extension of overall business in certain situations stems from a common denominator. Bic's brand essence is all about small disposable items like ball point pens, disposable lighters, and disposable razors. The denominator in this case is disposability that gives Bic a position of similarity across the categories of writing instruments, lights, and shaving. When Bic got into perfumes, it failed. The character of perfumes did not have the element of disposability. The lesson here is not to go against the essence of your brand, especially if the essence is very strong[5].

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Lesson 25

DEVELOPING THE MODEL OF BRAND EXTENSION

Introduction

The discussion on strategic deliberations about what not to do continues from the previous lecture as point 4. That explains most of the fundamentals that we take into consideration for extensions. With that we move on to developing a model for brand extension.

Given the limitations of extensions, which you will learn in this lecture, the discussion will move on to the need for multi-brands. Multi-brands basically stem from limitations of extensions. Not all needs can be addressed by one brand and its extensions; multi-brands serve the multi-purpose needs within a segment. This lecture also discusses how multi-brands come into being and what should be the basis of deciding number of different brands within a portfolio. But, before that let us get back to the topic of deliberations and connect it with the previous lecture.

4. Expertise and know-how transferability
   The brand must be believable in the new field. Customers should feel comfortable with the level of know-how the company is known for1. Sony can be trusted to undertake any electronics project, whereas a company in foods or fertilizers may not be believed to undertake such a venture. You may not do it unless you have the expertise and are perceived in the market for having the know-how to transfer to the new field.

5. Perceived difficulty of manufacture
   Consumers have a perception of how difficult or not difficult the manufacturing process is relating an extension. If perceived difficult a strong brand will benefit. If it is perceived not so difficult, a strong brand may not have that big an advantage[2]. You may not get into extension unless your existing brand is very strong and manufacturing of the new process is perceived difficult. Customers in that situation give complements by saying that only a reputable company with strong expertise could undertake such a challenging introduction.

6. The factor of "complementarity" or "fit"
   This means how comfortable the new product with the old one is. If there are emotional associations that run across same kind of customers, the effort may be more fruitful3. An accurate example could be a fashion clothing company getting into perfumes. Fashion clothing and perfumes have a lot of commonalities and associations among the target market. In the absence of such a fit, you may consider extendibility with apprehension.

The conclusion from all the factors that we have discussed is that extensions should strengthen the brand and not weaken it. Incoherent and illogical extensions have the potential to diminish brand's value.

Any company that may want to extend its brand must know where its brand stands vis-à-vis competition. It is the vision and the image parts coupled with the identification of customer needs (customer model) that help a company pinpoint when and where to extend. It is this strategic process that helps the company find the fit between the vision and the extension.

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DEVELOPING THE MODEL

With the understanding of the two well explained concepts of extensions along with the fundamentals that lay the ground for extensions, we are now all set to developing a model for brand extension[4].

1. Explore opportunity areas
   This reflects looking into areas of unmet or not-well-met needs. You must identify the reasons why are there gaps in the market? Do the gaps exist due to distribution difficulties inherent in the product character? Or, most of the players have not had the requisite technology. Or, they have been plagued by shortage/absence of the quality human resource. If the company is able to address the unmet needs by outsmarting limitations of competitors, then it can assume the role of a leader in the segment.

2. Generate brand-based product ideas and analysis
   This step should not offer any difficulty in handling it, for you have identified the area of opportunity. You must come up with a few ideas that have a fit with the situation and your brand vision. Go through a process of screening, analyze the situation and select the best one in light of the consumer needs.
   A well-crafted concept must explain the features, attributes, and benefits of the product and how is it envisioned to be different from the existing one and from the competition! That will also address the positioning that you envisage for the product and the purchasers. You will also know to what extent the new entry will enhance the value of the brand.

3. Develop a brand extension strategy
   It defines the role the brand extension is going to play toward filling the financial growth gap in terms of revenues and other financial goals. It also explains the strategic marketing role the extension is going to play and hence how it will strengthen the overall brand's strength - the market share and position in the market.
   You explain the new product in all its forms including packaging, its reason for being, and the need it is going to satisfy. You must be very careful in deciding whether to go upwards or downwards in price, for both have their implications.
   You must take into account the differentiation factor in terms of distribution, if any. Explain the extensive role extension is going to play.

Limitations

Despite all the favorable factors for extensions, the concept has limitations. Not all the time extensions can fill all the gaps in the markets. In the words of a marketing expert, "there is a tremendous opportunity cost that we pay by going through extensions; by not creating a new brand; unfortunately, that cost is unquantifiable". By getting into the extension it was a strong brand that was not created, says the author5.

Multi-brand portfolio

In other words, this expert calls for introduction of new brands whenever the company has the right rationale to go for them. It is risky, more expensive, requires more time and energy, but most certainly offers a strong and a bright future to the company.
The new brand can offer better coverage of the market and penetrate new, young, and emerging markets that could bring meaningful growth to the company.

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The question of portfolio size

This author also goes on to say that we should not get into a large portfolio of brands by being too ambitious about brands' power and value[6]. He advocates having a few brands within a portfolio for promotions to gain a significant market share.

Marketing people always are addressing the question of how many brands should there be in a portfolio. There is no hard and fast rule to that. ***What is important to understand first is how does a company own so many different brands?***

Owing to growth

During periods of growth, companies like to introduce new brands each time they get into new segments and distribution channels. This is done to multiply the effect of existing and added channels and to make sure that there is no conflict between the new and the old channels and the new and the old segments. They like to keep the conflict of interest away. The concept of having two different brands in two different value pyramids applies here. If you go back to the example of Toyota and Lexus, the concept becomes clear.

Owing to acquisitions

Another reason for the growth of portfolios has been acquisitions and mergers, which brought more and more brands to companies – a discussion, that took place earlier in relation to company's strategy to acquire strong brands. Although it was on purpose (an assortment of powerful brands in markets across geographic boundaries), it did present the senior marketing and other managers with a challenge they now have to face.

Need to have a small portfolio

Bringing all the brands into public limelight is difficult, for that can come only through meaningful communication, which is expensive. Generally, the need is to manage a portfolio with a few brands, which is manageable in line with a company's resources. With competition increasing, there is a dire need to achieve productivity gains and cost efficiencies. You cannot do that with a big portfolio.

Production and research facilities are being regrouped to save costs (pharmaceuticals in particular). It is the same factories producing different brands with features different. But, there should be a limit to variations coming from the same factories.

With brands becoming international and having international appeal, they are no longer meant for certain territories within national borders. This leads one to believe that one should be having a few in a portfolio thus making it manageable. The investment required for a large international presence is massive to handle a large portfolio, and, hence, a smaller one.

The question of how many brands should be retained in a portfolio is to be answered by looking carefully into the strategic roles assigned to and played by different brands. This implies that it must be linked to an analysis of the brands' functions in their respective markets.

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Lesson 26

BRAND PORTFOLIO

Introduction

Due to limitations of line and brand extensions, companies have to go for a portfolio of brands. Portfolios offer advantages. At the same time, they also are not without disadvantages. The lecture discusses both.

Brand portfolio and segmentation

Every market can be segmented by product, customer expectation, or the type of customers. A chain of hotels may like to have its presence in different segments of the hotel market by having three-, four-, and five-star hotels. Its presence in three different segments addresses different needs of customers within those segments.

Customers in the three-star segment are economy-oriented audience interested in neat accommodation with no frills at affordable pricing in a middle class area of town. Conversely, customers in the five-star segment are desirous of high comfort, pampering, sophisticated ambience, and high status. Customers in the four-star category fall in between the two ends of the spectrum.

The example illustrates different products and different types of customers with different expectations. Considering the variance of factors among different segments, it is obvious for the company not to sell its services through three kinds of hotels under the same brand name. With the same name, customers in the five-star segment will feel degraded and under-served, while those in three- and four-star segments will expect to have upgraded service offered at the five-star set-up at the pricing of three- and four-star accommodations. It will lead to quite a confusing situation devoid of a rationale.

The company therefore should consider different brand names for the simple reason that all three products relate to a particular set of corporate objectives through segmentation and differentiation. This implies that depending on the corporate objectives, degree of competition, and company's resources, the company should decide about the number of brands it should be having. In this case, it looks apparent to have three brand names for three different hotels.

It, however, is a multi-stage process that drives one to decide the practical number of brands. The stages are related with a historical study of the segments that you have been in or are interested in.

All strategies flow out of two areas of marketing – segmentation and differentiation. That owes to the external growth factor of the total category. As mentioned above, given the degree of competition and historical perspective of the whole category, you position different brands in

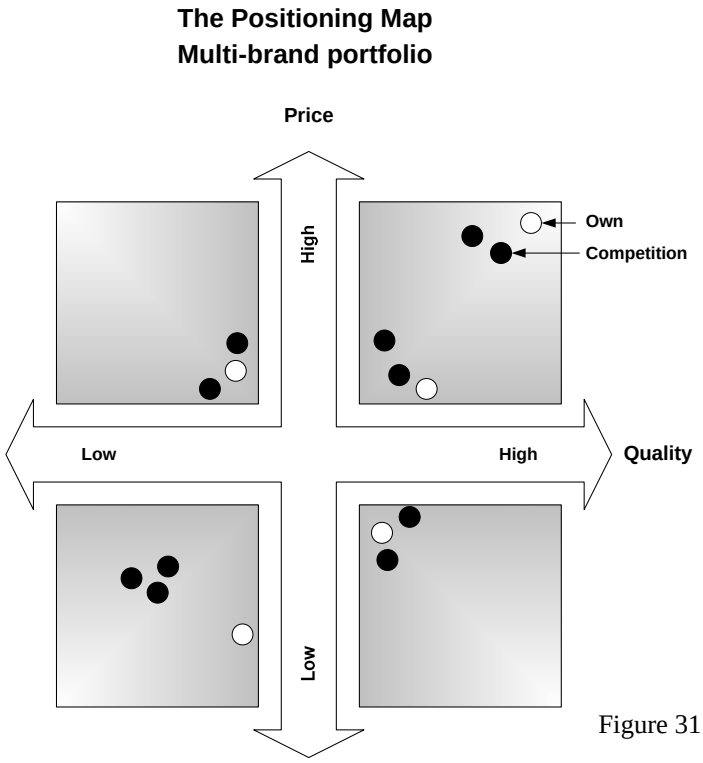

Figure 31

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different segments. To address differentiation, you may not successfully do that by way of having just one brand do all the jobs for you. It is graphically illustrated.

Segment variance

If the variance in terms of segments is too broad like in the case of the hotel, then one brand will work at cross purposes. You have to have different brands. If the variance is narrow, then you may go for an extension. But, you may still go for some distinction in name that signifies differentiation. It can be exemplified by way of calling one economy and the other executive.

By competing at the bottom of the top segment (top right quadrant), you are defining new boundaries, repositioning the competition, and keeping it off-limits to your top-of-the-line offering, which is surrounded by two direct competitors. You are a little more expensive there, but less expensive at the bottom of the segment where you have a nice fighting brand with higher quality than those offered by two others.

The variance in segmentation corresponds to different positions. That is, different positions on the positioning grid necessitate different brand names. ***A multiple brand policy therefore corresponds to a segmented market, where various expectations in each segment are not only different, but also seen as incompatible by consumers.***

The above means customers in upscale segment will never accept the same brand name unless there is differentiation between their brand and the one that is perceived inferior. You may go back to the hotel example. As a comparison and conclusion, we can say that

- while brand extensions correspond to a strategy of domination and competitive advantage via low costs
- the multi-brand strategy is a logical consequence of a differentiation strategy and as such cannot coexist with low costs in view of reduced scale economies, technical specialization, specific sales networks, and necessary advertising budgets

Yet it should not mean that companies are prepared to spend unlimited sums in the areas of multi-brands. The objective to cut costs never escapes managers' attention. They like to offer differentiation at the end of the production process, thus trying to make brands appear different.

The tendency to achieve productivity gains via fragmentation of the assembly line at the fag end of the process kills two birds with one stone:

- Companies try to achieve differentiation there and
- Companies try to reap the benefits of the learning curve, which is characterized by a lot of common features

Most of the multi-brands of cars make use of such productive gains. Look at the models by Toyota and see the differences between the base model and the saloon model. Differentiation seems to take place after having had the gains of productivity in terms of the shape of the model. Even the latest "Altis" with a bigger engine is subjected to the philosophy of production harmony and cohesion.

What makes it necessary to have different brands?

1. Collective play
   One brand cannot develop the market. It's the collective positions and communication campaigns that educate the customers about different features different brands offer. When different players collectively promote their respective differences, it tends to promote the market collectively. Combined advertising offers a combined view of the whole category thus improving the whole category. Multiplication of players, therefore, becomes essential.

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2. Market coverage
   The role played by multiple players automatically strengthens the concept of segmentation, because they all opt for different segments by positioning them uniquely. Such situations lead to coverage of the market that is not possible with just one brand. Different price-quality-indexes (PQIs) emerge and one brand revolving around all PQIs is bound to lose its identity.

3. Effective fight to competition
   You introduce a new brand to position it right below established competitors' pricing. You don't do that with the original brand, for that amounts to cutting brand's pricing and hurting its image. Refer to figure 31. In other words, it offers you to create the territory of marketing battle away from that of your original brand.

4. Fills the market and keeps the competition out
   It offers you the opportunity in line with the fundamental that says a multiplication of players is important. A strong player can take on the role of a multi-supplier by having different brands and hence keeping the competition out.

5. Protects the main brand image
   If the new entry is not successful, it doesn't hurt the original brand.

6. Responsive to retailers' needs
   A multi-brand policy fulfills needs of different retailers, because different retailers cater to the needs of a different level of clientele and, hence, needing an array of different brands for different customers with different demographic backgrounds is essential. Actually, the identity of retailers is defined by the selection of different brands they carry and specialize in selling.

7. Takes over where extensions feel limited
   A multi-brand policy emerges from the limitation of extensions to look after all the segments of the market. A sophisticated market is bound to be confused by extension of one brand, if it addresses different quality and needs-fulfilling criteria across different zones of customers' attitudes. Electronics offer a perfect example. Japanese electronics companies offer more than one brand of televisions and musical instruments by being sensitive to the following psychographics.
   - There are customers who buy on the basis of technical innovation and, hence, don't care about the price.
   - There are customers who buy on the basis of basic need-fulfillment, and hence, are economy-oriented
   - There are customers who buy on the basis of reliability and durability

   If you classify customers in the above three segments, you may like to have different brands for those segments. You, therefore, have to relate different features and benefits with the brands' attributes. One brand extension cannot do that.

Constraints

1. Clear meanings
   In multi-brand portfolios, each brand must have its clear meaning. If the differential between brands is minimal and not meaningful, then not only the customers, but also sales people feel confused and offended.

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2. Cost management
   Costs always remain a prime objective of all businesses. They try to keep so many common features, which should not expose themselves to the point of undesirability. Should consumers perceive commonalities not appealing and rather offending, then managing costs for the sake of keeping them low can endanger brand's image capital? Businesses must maintain a balance between such cost management and image capital of the brand.

Developing the model – multi-brand portfolio

- Just on the lines of brand extensions, we have to go by the following steps:
- Look for opportunities and growth areas.
- Analyze and assess the potential each opportunity offers in targeting customers in each segment.
- Go for the brand strategy that explains its positioning, its reason for being, and the strategic framework for executions of tactics.

Suggested readings:

1. *Jean-Noel Kapferer: "Strategic Brand Management – Creating and Sustaining Brand Equity Long Term"; Kogan Page (281-285)*

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Lesson 27

BRAND ARCHITECTURE

Introduction

We have seen that all brands regardless of what circumstances gave them birth appear as independent brands and play a significant role through their existence. We have also seen that circumstances can lead to creation of a stand-alone brand, a line extension, or a diversification. Corporate strategies also lead to a collection of different brands that are managed as a portfolio or a set of portfolios in case of large corporations.

What can be concluded from our discussions so far is that brands belonging to one business do not work in isolation of each other for the reason that one set of circumstances give rise to the existence of another brand – whether extension or stand-alone under a different name.

Such developments are not without links and hence drawing a hard and fast line between and among the boundaries of various brands is difficult. Their relationships go across each other's boundaries and make those brands appear in hybrid forms, at times. If a brand is an extension, it could well be part of a portfolio of a few other brands that may be a mixed bag of stand-alones and extensions of some mother brand. The stand-alone(s) could be an acquired brand making a good combination with other stand-alones or extensions introduced by the company at different occasions for different segments. How do you manage such apparent complexity? The lecture attempts to answer that.

Brand architecture

To understand brand architecture, we must know that there is a close relationship between brands and products; brands distinguish one product from the other and they also indicate products' origin. Given that, there has to be a system followed by different companies to name and then organize their products as brands in production and marketing terms. The system must also make it easy for the customers to understand those products in terms of buying different brands. Such a system is driven by the branding policies a company follows and is known as brand architecture.

Branding strategies

This system of naming brands and organizing them in marketing terms can be understood by looking into how different companies develop brand-product relationship by offering every brand a separate role. A study has revealed six different strategies followed by companies[1]. All the strategies facilitate branding distinctions or serve as indicators of products' origin.

1. **The product brand strategy – PBS**

   It involves one particular name assigned to one particular product. This name reflects just one positioning and hence is restricted to that positioning. In other words, for each new positioning there is a new brand name and hence different names correspond to different positions.

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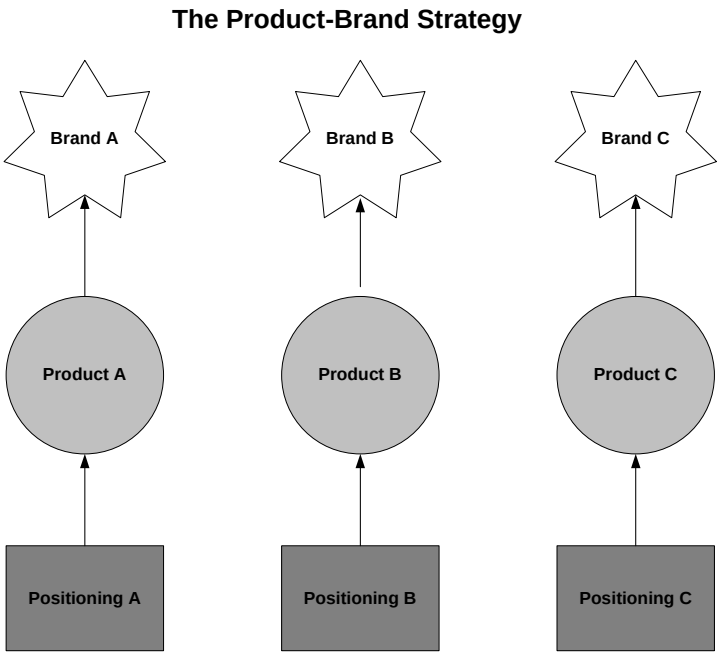
Figure 32



Source: Strategic Brand Management by Jean-Noel Kapferer

P&G has adopted this as brand management philosophy. In almost all fields they are a part of, they have different brands for different positions – detergents and soaps. Each of the products has a precise and exclusive position to itself.

As an example, one soap could be for skin enhancing properties, another for energy, another for family use, and yet another as a medicated one.

As another example, a detergent could be positioned as the best for taking the stains out, the other for overall neatness, and yet another as the best value for money etc. Each brand has an identity of its own and hence a complete chain of application of all marketing practices. The accompanying figure graphically explains the concept.

The benefits are:

- Resourceful companies opt for this strategy; they like to create that multiplication-of-supplier-effect to energize the category with multiple brand entries. It is the collective effort on part of all players to do their bit in talking about points of difference, educate the customer and as an aggregate effect bring the category to full bloom, you will recall from discussion on multi brands.
- One big manufacturer like (P&G) likes to occupy and dominate all the functional segments of the category, and by meeting different needs it consolidates its market share.
- Different products help customers identify those differences better than extensions that have external similarities. It is because of these factors that one starts appreciating how the differences among various offerings of detergents are optimized through their precise positioning that define – stain removing properties, a neat wash, or something that's ideal for hand wash etc.
- The product brand strategy is good for companies that enter a segment to preempt a position and then acquire the role of the market leader. The name of the company may not be highlighted with the result that each brand is independent of each other and the failure of one does not really affect the other.

Drawbacks of the product brand strategy

- Each brand launch is a new launch. It is expensive considering the costs of communication in different sectors of company's choice.
- Retailers are skeptical of new product's chances of success and hence resist stocking.

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- Multiplication of product brands in narrowly defined segments demands quick return on investment. It is possible only in new and emerging markets in which even smaller volumes can bring about high returns due to premium pricing.
- Unlike extensions, a new brand cannot benefit from the success of another one within the portfolio.
- Distributors give the brand hardly any patronage despite company having a high level of awareness and reputation.

2. **The line brand strategy – LBS**

This strategy deals basically with extensions. Meaningful success of a brand can motivate a company into extending the line. The advantages are known to you. This sets the stage for finding meaningful "fits" and "complimentary" products. The objective is to offer coherent products under the same brand name.

Upon success of a brand of lipstick, the manufacturer should get into complementing products that may have an emotional appeal across the same clientele. It, in other words, exploits the success of the concept by extending the brand while staying very close to the central theme.

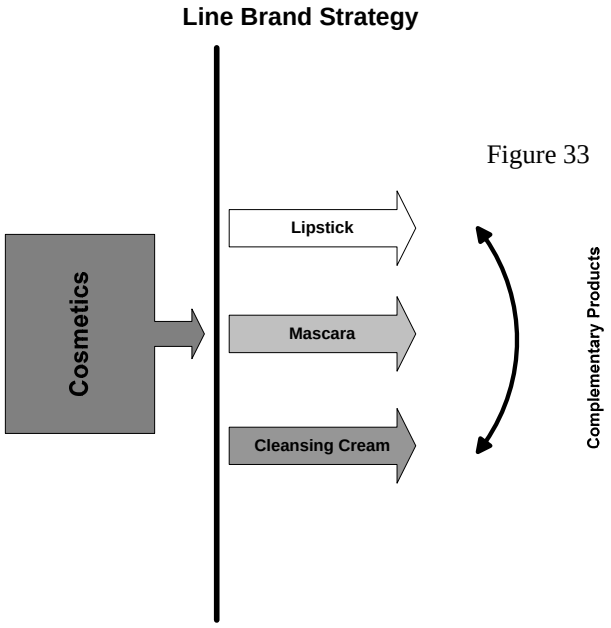

Figure 33

The benefits are:

- The eventual extension involves only marginal costs linked to distribution and packaging etc.
- It reinforces the selling power of the brand and the image.
- It leads to ease of distribution.
- It reduces launch costs.

The drawback is:

- That you have to stay very close to the existing product.

3. **Range brand strategy**

This strategy offers one brand name through a single promise for a range of products belonging to the same area of competence. Range brands are

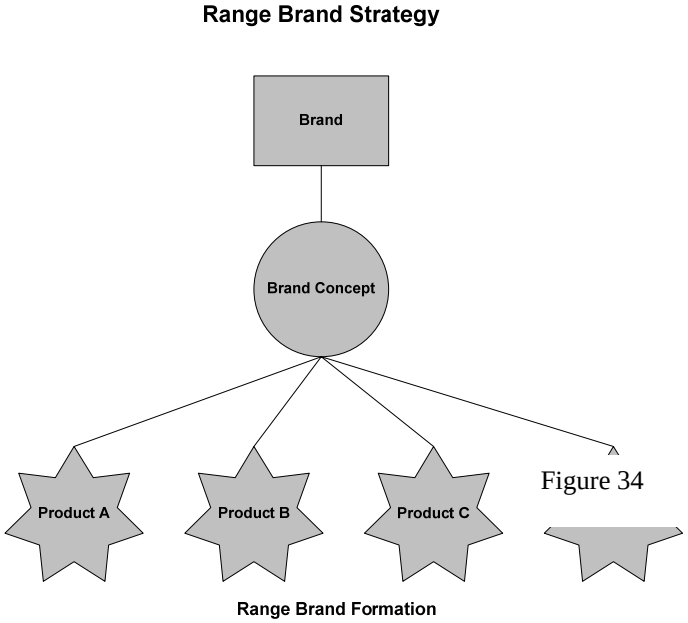

Figure 34

Source: Strategic Brand Management by Jean-Noel Kapferer

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common among food items – soups, sauces etc., and luggage industry; suitcases, brief cases, and attaches.

Communication takes place in one name for promotion to all the product subjects. Brand, in other words, communicates in a generic manner by developing a unique concept.

4. **<u>The umbrella brand strategy</u>**

When the same brand supports several products in different markets, it is known as the umbrella brand.

Yamaha in bikes, pianos, and guitars; Philips in electrical bulbs and lighting, electric shavers, and televisions; Mitsubishi in banks, ship building, cars, and foods etc are all examples of umbrellas.

Umbrella Brand Strategy

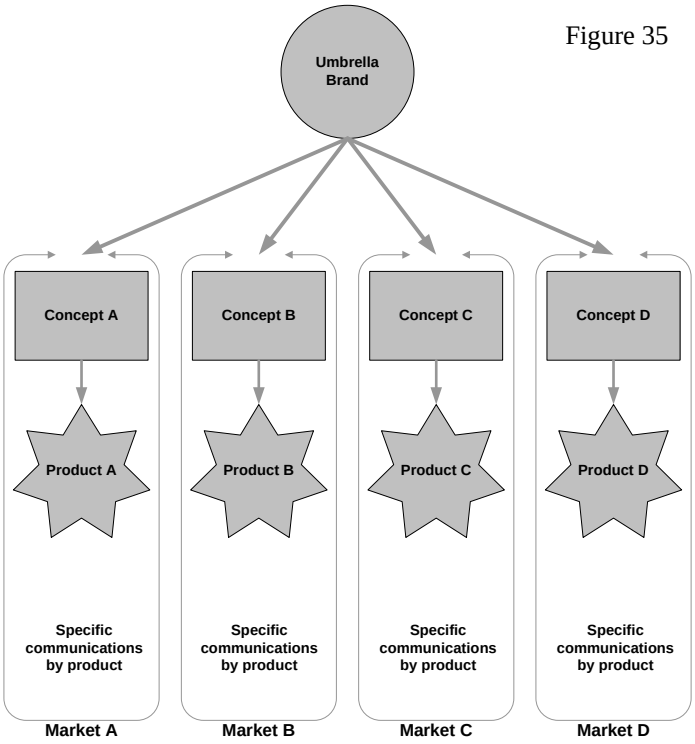

Figure 35

The main benefits are:

- One can capitalize on the strength of one product and gain the benefit of scale economies in other markets.
- The almost instantaneous goodwill can be generated only if the brand is well known and enjoys great reputation like the brands mentioned above.
- Firms of great reputation can save a lot of money on communications if they enter markets where they were not present before.
- In present day's over-communicated era, this is a tremendous advantage given the fact that the cost of achieving awareness is out of reach of so many companies.
- Umbrella brand strategy allows the core brand to gain strength from the associations in the areas it was not present before. Umbrella attracts new entries for the image capital, but in the process gets more strength from the new entries and reinforces the image capital

The drawbacks are:

- The main constraint toward creating the umbrella is the fact that each division has to come up against a specialist brand in its segment convincing the customers that they not only match, but excel in quality. In most of the cases, it is not evident except the Japanese companies! Toshiba in different segments! From computers to TVs to musical instruments to kitchen appliances and more areas are rightly perceived as Toshiba's strength.

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- They have to prove the relevance of each product they produce (Toshiba's example) otherwise it becomes difficult to become a dominant force. It is because of this quality factor that only companies with good reputation can be successful in creating such a strategy. Mere awareness doesn't work.

Since umbrella strategy is a stretch into categories not charted and navigated before, there should be a limit to the temptation. It is like stretching a rubber band; beyond a certain point it breaks. It is called the rubber effect[2]. The more categories a brand covers, the more it weakens like a rubber and hence loses its force.

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1. *Jean-Noel Kapferer: "Strategic Brand Management – Creating and Sustaining Brand Equity Long Term"; Kogan Page (188)*

2. *Jean-Noel Kapferer: "Strategic Brand Management – Creating and Sustaining Brand Equity Long Term"; Kogan Page (199)*

Suggested readings:

1. *Jean-Noel Kapferer: "Strategic Brand Management – Creating and Sustaining Brand Equity Long Term"; Kogan Page (187-210)*

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Lesson 28

BRAND ARCHITECTURE

Introduction

Discussion on brand architecture from the standpoint of managing brands continues from the previous lecture. We shall learn two more strategies relating brand-product relationship before we summarize the concept as it applies to brand management.

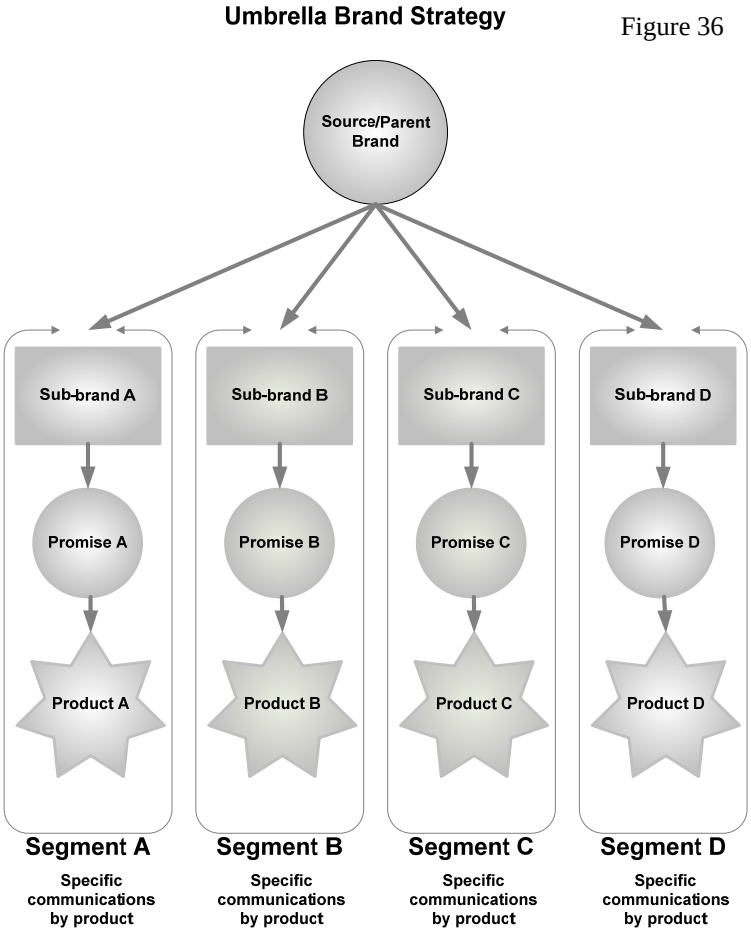
5. **Source brand strategy**

This is very close to umbrella brand strategy with one exception – every product has a different brand name under the source name. This is a two-tiered structure with double branding[1]. Most of the Japanese cars are examples of the source brand strategy.

One product starts and gets sub-divided into sub-species giving them different names. As is already learnt, different names are given to different products to fulfill different promises. Each product with a different name carries one specific contract.

The power of the source supports the offspring until they become established brands in their own right.

Figure 36



The sub-brands or the offspring become so strong owing basically to strength of the source that a point comes when the source takes the back seat and offspring emerge as the main brands because of their own promise.

If you look at the source brand on Japanese cars, you may not find that. The brand expression is limited only to the logo of the source, because the offspring have developed a strong identity of their own.

It is a unique situation in which the brand strategy offers a two-level sense of difference and depth[2]. The family spirit dominates! Toyota and Honda are excellent examples of this strategy. And, there are many more.

6. **Endorsing brand strategy**

The endorsing brand is generally the company name, which takes on the overtones of a brand name. It covers groups of diverse products in the shape of product brands, line

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brands and range brands. Strong company names support different brands that demonstrate their originality - LU in the category of biscuits on the Pakistani market is an example of this strategy. Cars by GM (General Motors) are another example on the side of consumer durables.

The endorsing brand strategy is one of the least expensive ways of giving substance to a company name as a brand name. The company name in return gives strength to the product brand name.

What strategy to choose?

The six models discussed are the typical cases of branding policies adopted by different companies as brand architecture. Different strategies have different advantages and disadvantages to offer. There is no prescribed list of "dos" and "don'ts". In reality, there is no fixed model for a certain situation. Companies use one or a combination of the models discussed.

It is not a matter of style. It is very strategic in nature aimed at promoting company's products with a long term view. The nature of arrangements used by the companies is developed in response to the strategic situations of those companies, their markets, competition, and company resources.

The choice of brand architecture of a company, therefore, is a reflection of the strategy it chooses under a certain set of circumstances. It must be considered in the light of three factors: ***the product; consumer behavior, the firm's competitive position.***

Summary

Brand architecture is creation and management of different brands as an arrangement compatible with the strategic situation of a company. The strategic situation demands a certain action on part of the company as a response to fulfilling the market needs. Given the circumstances of the moment, companies decide on strategic issues of whether to go for a stand-alone brand, an extension, or a combination of both. As part of the architecture, brands then are managed as a portfolio or a set of portfolios.

What is important is to formulate the right strategy for managing brands. There are six types of different strategies companies generally employ for this purpose. It is the job of the business managers to determine which one suits their purposes the most.

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2. *Jean-Noel Kapferer: "Strategic Brand Management – Creating and Sustaining Brand Equity Long Term"; Kogan Page (200)*

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CHANNELS OF DISTRIBUTION

Introduction

Moving on to channels of distribution, the thrust is going to be on creating channels that optimize availability of your brands to customers with highest possible cost efficiencies. Depending on the nature of brand architecture, managers have to decide on the channel partners that offer a high level of compatibility with the goal of achieving operation and cost benefits.

Why Channels?

With brand architecture in place, we are now ready to optimally develop the brand-consumer relationship in terms of making the brand available to him. Unless we have means to ascertain that the brand is available at the place of our target market's choice, we cannot ensure marketing success in any field of the marketing area. To make our brand available we need help of different businesses that form channels.

Not one firm can master all the channel functions and, therefore different channel members get into arrangements to help each other achieve their respective goals. Channel members are distributors, wholesalers, retailers who form a vital chain of supply for transfer of our brand from one hand to another.

The strategic question here is how many hands do we need to ensure efficient and cost effective transfer of our brand to the consumer? There are quite a few functions that are performed between the point of production and the point where the brand finally gets into the hands of the ultimate consumer.

The final touch is given, in many cases, by retailers, especially when you are dealing with consumer products. Why is it that some companies choose the conventional channels, while others seem to be a little adventurous by putting up their own retail stores, and yet a few others who may prefer direct marketing are a few questions that need to be answered through discussion here!

With the basic objective of making our brand valuable and powerful, we must consider a few strategic options that lay the foundation for the nature of channels that leverage our brand and give it power. Those considerations could be the following:

Strategic Options

1. The nature of the product-market relationship
   We must firstly be clear about the nature of our product - whether it is a consumer product, a specialized product, or an industrial product along with its application. Consumer consumables will have a channel more elaborate than durables. Specialized products may have a different set-up of specialized dealers or company's own outlets. Industrial products may yet be sold in another way or through a combination of both.
   Customer relationship management (CRM) takes on an added dimension if company sells directly and applications are technical requiring company's guidance[1].

2. The make-up of the segment in terms of volume constituents
   We must be sensitive to how much what category of customers constitute toward the total volume of business. That understanding will shed light on the channel make-up. As an example, if the market is divided by 80-20 rule, that is, 20% of customers constitute 80% of business; we may have two different channels of distribution, meaning a combination. We may cover the 80% market through our own sales force, while use dealers for the remaining 20% of the market that may be sparse.

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3. The level of growth of the segment
   If the segment is growing fast, we may like to follow the conventional methods in vogue; if it is well established, old and growing slowly, we may like to think of something new and different to gain power.

4. The amount of power that your brand and your company enjoy in the market place
   An important determinant, power becomes the basis of negotiations. The one who has more power negotiates from a position of strength, as a traditional rule in all walks of life. If you are a new brand and a new company, you may like to resort to the strength of regionally strong distributors; conversely, if your brand is strong it may attract those distributors to you thus adding to your power.
   It is, however, difficult for one party to monopolize power within the distribution channels system or the supply chain. It boils down to the positive part played by each member of the channel that enhances overall power of all and hence lead to profitability for all. This highlights the fact that it basically is a partnership in which all have to play positive regardless of the amount of power he handles.

Three strategic areas channels impact

Having considered the factors that should lay the foundation for the right channels; we must also be concerned about the strategic areas that are impacted by our choice of channels[2]. The choice of channels therefore becomes very strategic in itself.

1. Customer value
   The nature of channels either enhances or reduces customer value based on service quality and the efficiency with which the channels make products available. ***Customer value means real performance, delivering what was promised so that the customer gets the right combination of product quality, fair price, and good service.***
   If the quality of service is poor and customers cannot enjoy that product's benefits due to non-availability, customers will switch to a competitive brand. High quality of product is not a guarantee of high customer value if the product is delivered inefficiently. Anything that is promised to be delivered direct and fast will lose its very purpose if it is not delivered the way it is promised.

2. Sales revenues
   With the prime objective of developing an effective distribution outreach, marketing channels determine the number of existing and potential customers. The total number of customers is the basis of revenue. This relates the reality that customers want to buy at locations of their choice. If a company cannot identify the potential locations (meaning if the company is lacking on one account of customer value), it is bound to lose its customers and hence potential revenues.

3. Profitability
   The structure of marketing channels has a direct bearing on margins and profitability. Effective outreach has a cost. The cost is paid for logistics, warehousing, inventory management and as margins to all members of the channel. How much does it affect profitability is an important question!
   Keeping in view the impact of all the three factors, coupled with historical background, a company decides on what channels it should choose and how it will manage those to attain its goals.

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Two companies dealing in the same product can have different marketing channels designed to reach the same customers in the same market. A graphic illustration in the next lecture explains this phenomenon.

Summary

Strategic considerations must be taken in their proper perspective to decide the right channels for our business. We must carefully study the product-market relationship, the level of business enjoyed by different segments and their size as constituents of the overall market, the growth of segments, and the amount of power enjoyed by different members.

With that in mind, we should move on to the next step that lets us study the impact of the under-study nature of channels on the areas of customer value, sales revenue, and profitability.

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1. *Roger J. Best: "Market-Based Management – Strategies for Growing Customer Value and Profitability"; Prentice Hall (273)*

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Lesson 29

CHANNELS OF DISTRIBUTION

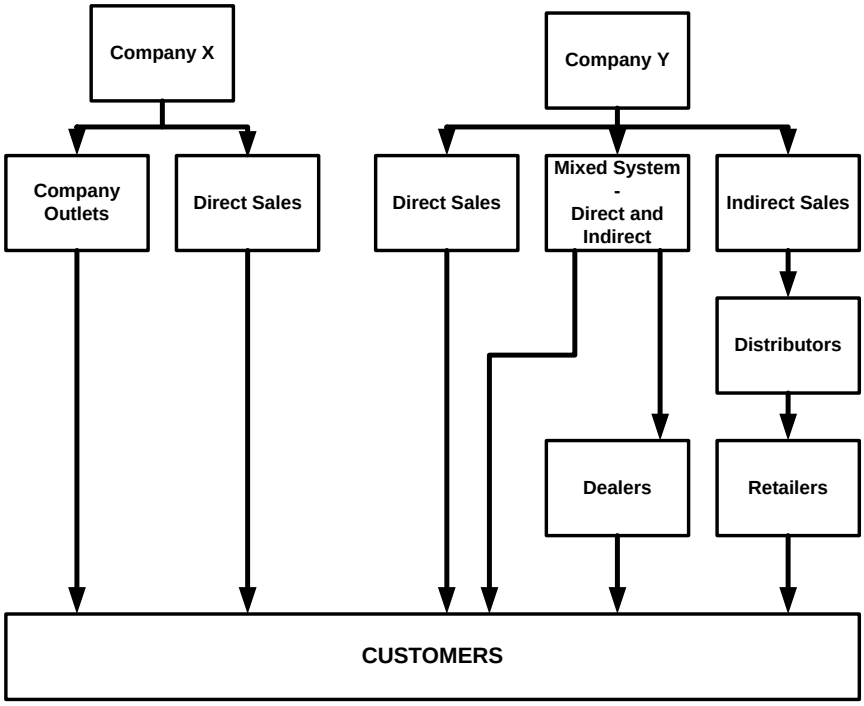
The discussion on two companies having two different channels continues. The graphics show that these companies have a set of mixed systems to reach their customers.

The one that is selling directly is more likely to have improved margins (apparently) than the one with different systems.

Why both do not have identical systems is a question of historical backgrounds, sets of circumstances, and initiatives their respective managements have chosen to take or not take at different points in time.

Marketing Channels – Company x vs. Company Y

Figure 37



Channel performance

While assessing the impact on the three strategic areas (product-market make-up, sales revenue, and profitability) the objective of any company should be to configure its channels in a way that it improves its performance and offers competitive advantage. The company with all direct customers seems to be having that advantage, if we refer to the above graphics.

Components of channel performance

Measuring channel performance, therefore, is based on three components[1]:

1. Customer reach
2. Operating efficiency
3. Service quality

- If a company cannot reach its potential customers, it will not register sales.
- If the cost to reach customers is too high, then it will adversely affect profitability.
- If customers are not served the way they want, then the company cannot retain them.

To have a cost-efficient and customer-effective channel, it is important that the three fundamental components must work at satisfactory level. Before we can ensure that, we must decide whether the system should be direct or indirect, in the context of those components.

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1. Customer reach - Direct or Indirect
   It is the determination of the most optimal level of cost-efficiency and customer-effectiveness, which becomes the basis of whether you want direct or indirect channels. The channels, in other words, must save costs and provide customers value.
   Direct channels include
   - Direct sales
   - Telemarketing
   - E-marketing

   Indirect channels include intermediaries like
   - Distributors
   - Wholesalers
   - Retailers

2. Operating efficiencies
   Once you have decided upon the method of customer reach – direct or indirect – your objective then must be to achieve operating cost efficiencies. The costs must not be high to the point of adversely affecting profits.
   Direct channels offer higher margins, but then the responsibility of channel management costs rests with the company.
   E-marketing is fast becoming the norm in the western markets. It is a much cheaper way of reaching a much bigger customer base in diverse areas. The companies that have started e-marketing as a supplement to their traditional channels are experiencing higher levels of sales, in addition to sales from stores. Those that started their business with e-marketing as the core model are not dependent on any intermediaries.
   Indirect channels offer lower margins, but then the channel management costs are minimal.

3. High level of service quality
   Direct marketing assures a good level of service because of a direct interface with the customer, but it could be expensive for maintaining a direct sales force.
   Indirect marketing removes the company from customers and, hence, poses a greater challenge of providing good level of service.
   Companies are dependent upon intermediaries to offer service to customers, and they are too busy with different lines of products that they handle. Also, intermediaries take over the ownership of the product and control its distribution, removing the company away from controls.
   Indirect marketing therefore has an inherent disadvantage in not being as responsive to customers as direct marketing.
   It is interesting to note that within what looks like direct channels does carry an indirect element. Retailers have started e-marketing offering delivery to their customers. This enhances their level of service to their customers. Manufacturers may not do so for the limitation of items they produce, whereas retailers having a host of items from various companies are better poised to directly serve their customers. What is not to be overlooked is the fact that prior to retailers' direct service to their customers the goods came from manufacturers, hiding that part to customers. This is the element of indirectness and a case of B2C channel system, in which retailers stock their items from different members of the channel and offer a service to the end-users of different brands.

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Channel system to build value

Whatever is the system, it has to ensure fulfillment of customer needs yet offering good profitability to businesses! In other words, it must be able to build customer value – through either offering enhanced benefits or lowered costs. This offers competitive advantage[2].

Value thru product benefits

A channel system must make sure that product benefits are offered in the following forms:

1. Product quality:
   i. It must deliver the quality according to the one promised in the brand contract and the one expected by the customer. Perishable items and cold items nowadays are an excellent example.
   You will not like to buy temperature-abused ice cream or meat items, nor will you be satisfied by a product with quality compromised on any account.

   ii. Inventory management in relation to product ageing has taken on an added dimension within the concept of supply chain. It forms quality of service that the product must get. Poor service may result in expired or near-expiry items escaping system's attention and reaching retail shelves to the detriment of your brand.

   iii. Regardless of the system – direct or indirect – the company must be able to impart knowledge and training to channel members and then ensure that instructions are being followed for quality inventory and retail management.

2. Product assortment
   A channel must be able to provide complete range of products – all extensions either by form, formats, ingredients, tastes, flavors, and any add-on form to achieve a desired level of customer appeal and product availability. No brand can afford to be missed out of an important retailer; it detracts customers and, hence, diminishes the brand value. Complete availability is a must.

Value thru service benefits

In the case a company is dealing in consumer durables or industrial products that require service along with the purchase of the product, then provision of that service has to be made through the channel. The company must make sure that the following factors are built into the channel system:

- Need for delivery and installation
- Training
- Technical support
- Repair
- Terms of payment
- Credit
- Easy return

The channel system will automatically offer the following benefits to the customers:

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1. Transaction services
   Customers must feel the ease with which the product is delivered and have the assurance that replacement of faulty parts is guaranteed. Terms of credit also help a great deal.

2. After-sales service
   This includes all services that the company must offer to keep its customers satisfied. Following are a few examples:
   i. 3-S service (sale, service, and spares) in case of cars and bikes.
   ii. Installation and repair at your place of air conditioners.
   iii. Repair and maintenance of industrial equipment and generators etc.

Each of the benefits (product and service) plays its role. A company with a better product may not be as successful as its competitor with an inferior product only because the company cannot meet the service requirements that must back the product. The requirements have to be met wherever those are expected – end user or an intermediary.
The emergence of company-operated service centers is an evidence of such a realization on part of the companies. This also reduces dependence on intermediaries and gives more seriousness to the benefit by showing company's commitment to service.

Summary

Depending on the nature of the product, the desired reach and other strategic goals, companies should decide whether they would be better off with a direct system or an indirect system. This question must also realistically consider a company's ability to offer value to its customers. A good channel system builds up value for customers and at the same time ensures profitability for the company. Doing the twin job of serving customers and the company, a channel system can be termed as the one performing well. It implies that an effective channel has a decent outreach that ensures good availability of the product and it offers all requisite services to customers that meet their expectations. If the system does not involve prohibiting costs, it is efficient. Such a customer-effective and cost-efficient system has to be evolved keeping the benefits to customers and value for the company in mind.
Market experience of other players is an authentic guide in making decisions – not meaning that you must follow, rather meaning that you get leads from what could it be that they have not done so far and if you do will pay dividends.
Generally, direct systems have been found to be expensive, albeit full of control; indirect systems are less expensive, but offer lower profitability. Indirect systems generally support volume products. In general, a combination of different systems is the practice, for a combination offers better coverage of the market. The better the coverage, the bigger the share of the market, and higher is the leveraging of the brand.

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Lesson 30

CREATING VALUE

Introduction

How to create value through building image and cost-efficiencies is the starting point of discussion in this lecture. Having known the fundamentals of what lays the foundation for creating the right channels for the company, we shall take a look at the amount of power that different members of the channel enjoy. We shall then see how that affects the negotiation process that goes on among different members to make a channel system function.

Value thru image building

Companies must be very careful in choosing the channel that is compatible with the brand picture. They must pick up retailers and dealers that are compatible with the associations the brand evokes and the persona the management wants built.

Expensive luggage, expensive perfumes, race and mountain bikes, expensive watches, top-of-the-line consumer items like olive oil, or those FMCGs that are extended by selective ingredients are to be sold through stores that have image compatible with the persona of the products. Selling these items at stores incompatible in overall appearance, inner décor, and retail management practices will become difficult. Actually, doing so may damage the brand by lowering its image.

Value thru cost-efficiency

A company must establish a channel system that assures availability of products at the locations preferred by customers. This holds true for most of the consumer items requiring an extensive outreach. A widespread availability reduces cost; the more you sell, the lesser is the cost of transaction. The more cost-efficient is the system, the more profitable is the business.

It is the responsibility of the business to develop channels that are cost-efficient and at the same time deliver all possible benefits to customers.

Channel power through brand power

Who controls the channel is a question that attracts everyone's attention among all members of the channel. Basically, it is the ability of the brand to offer value to customers that drives power all along the channel. A brand also accumulates power by offering opportunities of growth to intermediaries. The source of power, mostly, is the brand itself.

Members' relationship with brand

All members of the channel have a certain relationship with the brand. Each one of them assumes ownership of the brand that dictates warehousing, selling, and recovering the investment made on procuring the brand.

It is the job of management to identify the value of relationships at various stages of the channel. It is obvious that we are considering an indirect channel system that has multiple layers, and it also goes without saying that the more multi-layered is the system the more diluted would be power. The more direct is the system, the higher is the power for the manufacturer.

The objective for the company here is to make the right most decisions for brand movement through different stages of the channel without making glaring mistakes that may compromise brand value for customers.

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Power defined

"Social scientists define power as the ability to have others do something that otherwise would not be done. In other words, power is the ability to cause a change[1]".

Power in the context of distribution channels is the ability of one channel member to influence or alter the behavior or decision of the other member[2]. Example: A manufacturer may influence retailers to acquire the most prime space for its products. Space acquired is power exercised.

Inter-dependence

Because of interdependence among all members, no one member has the absolute power. Some have more power and some have less of it. For a new manufacturer, distributors and retailers may pose challenging demands thus exercising their power toward the pricing strategy. It is important to view the relative degree of power each member has and weigh the advantage it carries before negotiating strategic moves. Channel power, therefore, is a function of dependence and a number of concepts and opportunities emerge while we view it.

Sources of power

The sources of power show us how each member influences the behavior of the other toward its goal attainment. It is done in a few following different ways[3].

Rewards

Rewards power is one member's ability to give other something of value.
Example: A retailer offering shelf space and point-of-sale support is of value to a manufacturer. By offering these rewards, a retailer may influence the manufacturer's support, who in turn, may promise better pricing, promotional allowances, advertising, extended payment terms etc.

By offering rewards in their respective capacities, the two are able to change each other's behavior. If promises are fulfilled, the relationships acquire more credibility. Reward power becomes a positive source of power.

Coercion

The coercive power (compelling by force) is exercised when one member has the ability to control resources and change behavior of the other. The member being coerced knows that he has limited choice and therefore accepts change of behavior; whenever, what could have been rewards are withheld.
Coercive power ultimately leads to channel conflict and therefore should be avoided. It is perceived as force employed by the one with an advantage. In other words, it is exploitation. There is a natural tendency to resist that.

Legitimate power

It is based on the belief that one party is entitled to ask for a certain behavior, owing to its reputation, position, and role in the market. Such beliefs are held about manufacturers of high reputation who are involved in the development and production of goods that surpass customers' expectations. Pharmaceutical companies fall into this category. It does not exclude some of the good consumer items companies and any other that are involved in scientific developments. This kind of power stems also from the value systems of other channel members who grant that status to the one of power. It is highly traditional.

Expert power

This power is based on a channel member's superior knowledge and information that he has about his products. Example: A manufacturer's sales force may impart vital information to

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distributors and retailers on merchandizing, inventory control, promotional techniques, and latest market trends etc. The company wields power.

In most of the cases power results from a combination of different factors of which high brand acceptance and store acceptance are on top. This implies that manufacturers and retailers are generally the ones who wield power in most of the cases.
How do manufacturers and retailers end up having more power in proportion to other members of the trade is an interesting discussion that gives the answer.

Multi-brand companies' power

Mega brand companies and multi-brand conglomerates are in a much better position to cut better deals with retailers. The advantages of having different brand portfolios come into play here and offer the companies the opportunity to deal from a position of strength and, hence, power. Companies with lesser powerful brands may not exert the kind of influence wielded by multi-brand companies.

Retailer concentration and power

What really should make businesses prudent and pragmatic is the mutual dependence. This dependence is highlighted in case of growing power of retailers. The balance of power is shifting from manufacturers to retailers[4]. Retail store is the place where final purchasing action takes place. It has become a dynamic sector which is uplifting itself in appearance, growth, intensity, and innovation. The emergence of chain stores is making retail stores look more and more credible. All those factors are changing the landscape of retailing with more power to retailers.
Because of better management techniques and marketing orientation, retailers can give better feedback on buying patterns and criteria. They can better measure the sales relationship with shelf space, location in the store, effect of promotions etc., and provide detailed and minute data to manufacturers.
Companies working very closely with retailers can benefit from that feedback that provides insights into customer behavior and, hence, can lead to improvements in the brand-based customer model.

Convergence of manufacturer and retailer power

Manufacturers, on the other hand, have a better understanding of the whole marketing process and their product, which is a result of extensive R&D and investments. The perspectives of both, when converge, provide the brand with better support, which dictate that both work together as partners, and not powerful opponents.

Reaction to retail power

Due basically to the shift of balance of power in retailers' favor, manufacturers have started thinking of their own retail outlets. Some are acting upon this thought. By having your own outlets the channel is not only better controlled, it is owned. In addition to better profitability and power, the management process becomes conflict-free offering better opportunities for growth.
Retail brand (store of the name) becomes the product brand and the brand-consumer relationship acquires a whole new definition.
Take a look at chain stores of clothing (Hang Ten) and shoes (Service and Urban Sole) and you will notice the whole set-up is created with brand positioning, brand values, and quality proposition in mind. Strategically, they have a differentiation advantage. They can express their

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core values in everything they do, from décor to display of the products. That is not the case at other retail stores that sell everybody else's brands.

Reaction to distributor power

Manufacturers, in certain cases, also decide to become their own distributors only to avoid being subjected to established distributors' power. The process could be a little more challenging in the beginning owing to high cost of learning. But, soon after you are comfortably sitting on the learning curve, you may be approached by other manufacturers to start handling their distribution. Distribution, in itself, becomes a huge business line for such manufacturers.

If you have a product meant for an exclusive market, getting into your own setup makes more sense than if you want to introduce a mass consumption product.

Twin focus and pragmatism

However, it is obvious that retailers and distributors play and will continue to play well into the future important roles. It is important that manufacturers have a twin focus both on their customers (distributors and retailers) and consumers (ultimate consumers).

The companies have got to be nimble and quick in assessing changes taking place in the market and then deciding strategic shifts. The objective here is to enhance brand power, and use it to give the company channel power and sustain it.

Summary - power

Power basically stems from the value of brand. It is shared by all members of the trade. The sharing, however, is not proportionate. Depending on the strategic standing of various members stemming from different reasons, different levels of power are enjoyed by those members. What is important is that all should work as partners and see to it how the power wielded by each of them can be exercised to enhance the value of the brand.

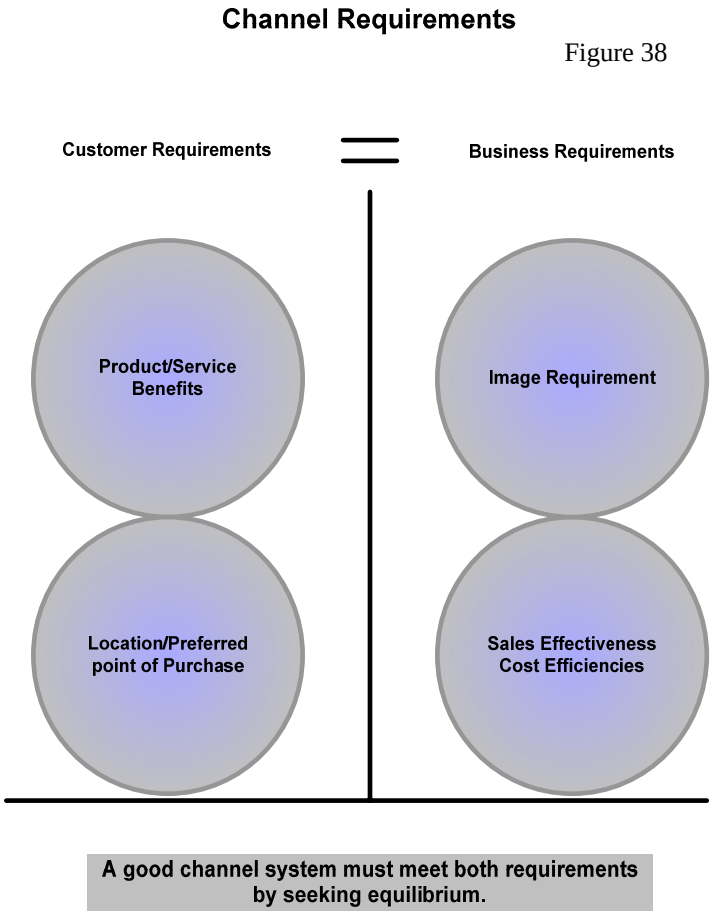

Figure 38

Channels – concluded

A business may have attractive products and services, but if it cannot deliver those to the target market efficiently and effectively, it will not succeed at the game of marketing.

Customers have preferences for products and services in view of benefits along with their preference for the place of purchase. Businesses have the preference to deliver effectively and cost efficiently; they also need to build image.

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Unless there is an equilibrium between the requirements of customers and businesses, the channel system cannot be described as optimal having potential to leverage the brand. This can be graphically illustrated.

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Lesson 31

CO BRANDING

Introduction

With channels concluded, we now move on to the concept of co-branding, which in present day's marketing world seems to be getting considerable importance. What is co-branding and how it works is briefly discussed here! The discussion then transcends into the area of communication and spreads over the lecture. Forms of communication and all those variables that make a communication campaign effective are discussed.

Co-branding

If a brand is not strong enough on its own to exert control on the channel, it joins hands with another brand that offers synergy by operating within the same market space. It can take different shapes and forms.

Bundling

Two brands join hands (this is known as bundling) to create one brand by using the strong expressions of both, thereby capitalizing on the strengths of both. This practice saves many risks and launch costs etc. An example could be a famous yogurt brand "Novelty" joining hands with an ice cream brand "Hi-cream" to introduce ice cream yogurt by the name of "Novel-Cream". This brand is seeking an entry into a chain of restaurants to sell ice cream yogurt or shakes by the given new name "Novel-Cream" that is a contraction of the two brand names. Two brands get bundled into one new and independent brand that draws strength from the two parent brands.

Ingredient co-branding

It is where one becomes the ingredient of another. "Intel inside" is a classic example of this concept mentioned in more text books than one. The objective is to draw strength from each other, offer customer value, and exert control of the selling channel. The simple philosophy is what can be done by two is more effective than can be done by one.

Regardless of the mechanics of co-branding, companies pair their products in some kind of a marketing collaborative effort. This could take the following shapes:

- A product bearing names of two companies, one more prominent than the other.
- A product bearing names of two brands, of course one more prominent than the other.
- A product having one brand name created out of two names.
- Two brands distributed by one company.
- Two brands promoted through one common channel that originally partnered with one of the brands – hotels could be promoted by airlines through travel agents, who originally partnered with airlines.
- One brand cooperating with another to promote its loyalty program. Banks could promote their credit cards by offering loyalty points redeemable at gasoline stations.

In other words, strategic alliances are made public, because doing so is important to have competitive edge. Co-branding takes place either when the two brands need more strength than they have or when one of the brands is weak and wants to take advantage from the strength of the other. You can imagine a weak or a weaker brand having access to an established channels system to which it could not otherwise reach. Under such circumstances, the weaker brand has to offer some kind of value to the stronger brand to qualify for the partnership!

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Examples

Example 1

A sachet of biscuits or powdered milk with a pack of tea could be cited as examples from the local market. This kind of co-branding has taken place in the recent past – 2005 and 2006. The main source brand that leveraged biscuits and powdered milk was Lipton.

Example 2

Unilever has started selling its ice cream brand (Carte D'or) imported from Turkey through KFC outlets in Karachi. The company plans to roll out to other markets soon. It has chosen a channel compatible with its brand that sells by the scoop and not as packaged ice cream. Anyone walking into a KFC joint cannot ignore the ice cream.

COMMUNICATION

The importance of marketing communications cannot be overemphasized. Without an effective communications program, a marketing strategy does not stand good chances of success. Actually, it will fail. An effective program is designed to make the customers aware of the brand, communicate its benefits, remind them of the same and make them take an action in terms of sales[1].

Communication strategies bring brand positioning to life. Unless we communicate the intended position, the chances of it making a home in consumers' mind are remote. A well positioned product with an attractive customer value and a strong channel system will not achieve full marketing success without a good communication program.

Therefore, successful communication strategies stem from four basic strategic factors and then support these very factors all along the strategic process[2].

- Corporate vision
- Brand vision
- Brand picture
- Brand positioning

Forms of communications

It takes on many different forms and goes beyond advertising and promotions as mentioned below[3]:

1. Advertising
2. Promotions
    a) Consumer promotions
    b) Trade promotions
3. Event marketing and corporate sponsorships
4. Public relations
5. Direct marketing (phone, fax and e-mail, catalogs, and internet)
6. Internal communication with newsletters

Advertising and Promotions

The first two tools i.e. advertising and promotions are most widely used and, hence, considered to be the most vital. But, they are also used interchangeably or meaning the same thing, at times. They do not mean the same, nor should they be used one for the other. Both have different meanings that ought to be understood before we proceed further.

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- ***Advertising*** is an all paid-for persuasive communication in the main media of television, press, cinema, and radio[4]. This is what we generally mean by advertising. It is known as "above-the-line".

- ***Promotion*** covers activities designed to increase sales by offering an inducement, such as extra product, free gifts, sampling, and competitions etc[5]. Promotions are generally termed as "below-the-line" and can be split into two different forms:
  - Trade promotions
  - Consumer promotions

  Trade promos are aimed at the trade to entice them into stocking more, giving our brand more space, and sell more. Consumer promos are aimed at consumers, designed to encourage them to buy more and use more.

  With the help of advertising, you create a pull, that is, you pull the customer toward the brand; with promotions you push the product towards the consumer. The pull and push form a convincing basis of registering higher sales as the conventional wisdom goes.

Having understood the basic difference between advertising and promotions, let's now discuss what communications are all about.

- The first and foremost job of any marketing communication is to create ***awareness*** of a product.
- Second, marketing communication is meant to ***reinforce*** the message to maintain awareness.
- Third, the job of marketing communication is to ***motivate*** target customers to take action and buy.

Objectives of communication

With three basic jobs done by communications, we can elaborate the fundamental objectives of a marketing communication as follows[6]:

- ***Build Awareness*** **-** to a level that target customers do understand the important information about a brand.
- ***Reinforce the message*** **-** to sustain a desired level of retention with respect to image, key benefits, and name recognition over time. Make sure that brand picture does not get distorted.
- ***Stimulate action:*** **-** to motivate target customers to take action in relatively a short time.

Different experts present the concept of objective-fulfillment in different ways with the same essence. Scot Davis makes understanding of it simple by giving it the acronym "AUTHOR" in the following way7:

- A for awareness
- U for understanding
- T for trial
- H for happiness
- O for only one
- R for referral and recommendation

To ease your understanding of the concept, let's take a look at another model in comparison with the above to look into the commonality of essence. The essence of the concept is all about understanding how customers register a campaign and what level of responses are generated on their part by that campaign.

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CUSTOMER RESPONSE HIERARCHY

Figure 39

MODEL 1	MODEL 2
AWARENESS	AWARENESS
UNDERSTANDING	COMPREHENSION
TRIAL	INTENTION
HAPPINESS	ACTION
ONLY ONE	
REFERRAL	

What model 1 explains is a hierarchy of responses to a campaign. A similar hierarchy is expressed by another author as model 2, which also explains the same concept by contracting the hierarchical levels to four instead of six as propounded by Davis. The next lecture goes into the details of the importance of arousing all hierarchical responses to create the desired impact of communication campaigns.

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Lesson 32

CUSTOMER RESPONSE HIERARCHY

Introduction

This lecture looks into the importance of understanding the response effects as generated by a communication campaign. The understanding of these effects in relation to developing a strategic communication framework is important. What are the principles that come into play while creating a brand-based communication strategy will be discussed!

Awareness and comprehension – basic denominators

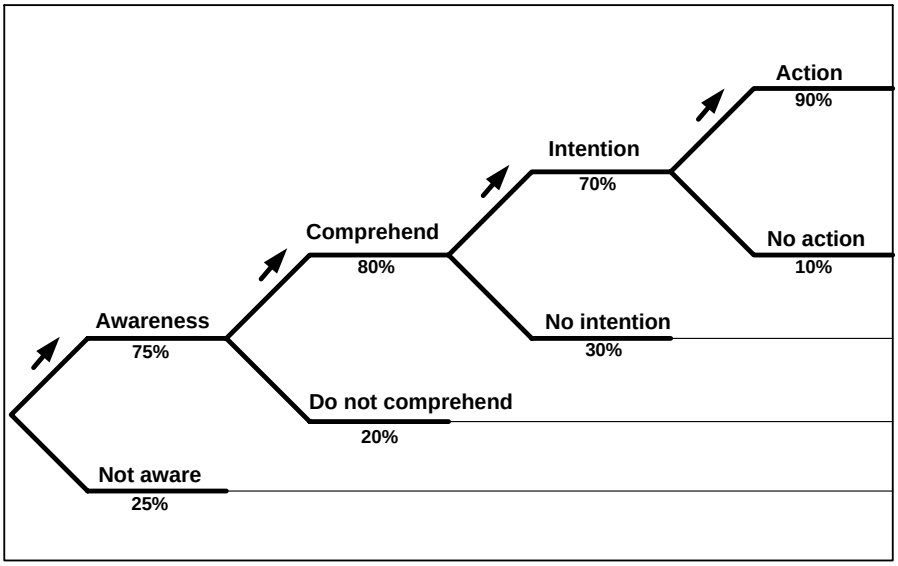
Regardless of the model, the starting point of any campaign is creation of awareness followed by comprehension. Unless awareness is created and comprehension developed, message cannot be reinforced and, hence, communication objectives cannot be fulfilled.

Customer response effects – CRE

As briefly discussed in the previous lecture, communication evokes a hierarchical set of customer response effects. Building awareness, comprehension, intentions, and actions are all steps in ascending order of the hierarchy[1]. This is graphically expressed here. What the graphic expression amply explains is the fact that all those aware of the brand may not translate that awareness into an action to buy. As you move along the ascending order of the hierarchy, you see less and less target customers responding to the hierarchical effects. If the target population consists of 100 customers, then 75 of them (75%) are aware of the brand. Those who take action to buy are about 38 or 90% of that 70% who intended to buy.

Figure 40

Customer Response Effects



It is difficult to think of major brands that have done well without communications – advertising in particular. We have to have some level of communications that we can control. Therefore, we can make three statements about brand communications:

1. Every brand must have some means of communicating with its buyers. The way to talk has to be direct, if not advertising.
2. There can be many other ways apart from advertising. The message has to be new and interesting.
3. All the means of communication and the messages transmitted must be coordinated to make sure they all talk about the same thing.

These fundamentals become the basis of a brand-based strategy for communication.

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Brand-based strategy

With the understanding how important is communication, we now move on to building a brand-based communication strategy. Four guiding principles to implement the strategy are as follows[2]:

1. We have to use a combination of all communication strategies to realize our overall strategy and brand vision.
2. We have to use the brand picture and positioning as the guiding force to determine our communication strategies.
3. We have to integrate the communication strategies to use the same message and create impact all along the successive stages of customer response effects/hierarchy.
4. We have to execute communication strategies all across the organization and create internal involvement for the success of the strategies.

Must couple the principles with hierarchy

These principles along with the understanding of customer response hierarchy give us leads into determining the right strategic framework for our communications. It is here that we decide about the tools in relation to their execution properties.

We, first of all, must be mindful of the stage of the hierarchy that may need our attention. We must then determine the objectives of communication according to the stage of either introduction (awareness) or reinforcement to stimulate comprehension and motive the final action to buy.

Must reach target customers along the hierarchy

If a marketing communication fails to reach its target customers and create awareness, the successive steps of the hierarchy will not emerge. And, a business will have to target its customers at each successive stage of the response hierarchy to improve its performance. Each stage lays the foundation for the next stage. It may call for repositioning or it may demand more hammering depending on the nature of the campaign.

Two classical examples enhance our understanding of the above[3].

Example 1

Ray-Ban Challenge: The sunglasses expert experienced decline as the brand was perceived outdated and too limiting being too masculine, and hence not very competitive.

The strategy: The Company challenged consumers' perception by kicking off a campaign with a *renewed brand persona* and positioning. The persona was created that of modern, intelligent, appealing to all, and hence confident products.

The result: The contract was delivered not only to men, but also to women and younger customers. The company approached its target market of existing users, non-users, and potential users. Brand resilience brought it back.

Example 2

BMW challenge: 1997 was the first year that the company lost its number 1 position in the high-performance luxury car market. BMW had no new launches in the pipeline whereas competitors like Mercedes, Lexus, and Infinity had many.

The strategy: BMW being aware of a strong brand picture decided to strengthen/reinforce its *existing position* with an intensive communication campaign.

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The result: BMW' campaign "Ultimate Driving Machine" brought the car back on top thus solidifying its strategic position.

The first example of Ray-Ban relates brand persona and brand extension. The company identified a few gaps (needs) that could have been fulfilled. It fulfilled those and created a renewed awareness about extending its line proving in the process their ability to meet customers' perception.

The other one relating BMW is sheer reinforcement reminding the targets to act upon something great they were not paying attention to. It is a case of sheer reinforcement.

Principles of response hierarchy

These two examples beautifully explain the importance of understanding the response effect hierarchy. With the understanding to make strategic adjustments in view of the stages of the response effects, we now take a look at the principles one by one.

1. Use all communication strategies to achieve corporate strategy and brand vision

   All possible tools or a combination of communication tools are to be used to achieve the corporate strategy and brand vision. Since the overall strategy, the vision, and the brand vision are all established already, they give rise to compatible communication strategies.

   Brand managers must have the management's commitment to exercise strategic execution. Having had that, they should be clear about when to implement the strategies.

   The amount of time needed to see results depends on the type of the market and the amount of resources employed.

   The important point here is not to forget that we have to set ourselves realistic time limit for creating awareness, comprehension, and action. Also, that it is brand vision that dictates the strategy.

2. Brand picture and brand positioning help determine the right strategies

   The image defines the actual associations customers have with the brand and the persona suggests the personality traits customers think your brand has. This tells you where the brand stands.

   If the brand has not been able to evoke the right associations and customers do not rightly understand the persona then there is a gap. You must see where that gap is. Only that will help you achieve the intended position. You must fill the gap in order to fill brand's picture, fulfill its vision, and achieve the intended position.

   The gap is a reflection of not being at the position that you want occupied in customers' mind. BMW's example reflects the significance of this principle. Another example that illustrates this principle is HP printers[4].

   Despite being at the forefront of introducing variety of products, HP lost its compatible position in the minds of the customers due to decentralization of the organization and fragmentation of communication strategies relating the brand.

   Getting convinced (through sales less than the goals) that the brand was underutilized; the company through research reassured itself of the positive associations customers had with the brand describing its persona as innovative, reliable, and scientific etc. It kicked off a campaign emphasizing the inventiveness on part of HP. Campaign was a huge success.

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The gap between where the brand was and where the company wanted it was closed and intended position achieved. It looks like a problem of not talking the same thing through all communications. This was due to decentralization of the organization and fragmentation of communication. Centralizing the campaign in view of the homogeneous profile of its customers, HP centralized the campaign and gave them a reminder of the persona they always had in their mind. This again is a classic example of reminding customers of good products and reinforcing their intention to buy those.

3. Use an integrated marketing communications strategy
   Experience has shown that advertising and promotions when used together create a compound impact. The reasons are common sense-based. A mix of all communications has a better chance of achieving synergy. If synergy is to be achieved, then advertising and promotions have to be mutually consistent, so that they can complement each other's effect.
   Having the two tools complement each other leads to a cumulative impact in the minds of customers in a coherent way. Fragmented messages at unrelated times do not create as much of an impact as consolidated messages through all the possible vehicles of communications. The integration therefore calls for certain methods to be followed. The generally followed principles are:

Principle of IMC (Integrated Marketing Communication)

1. Always look for opportunities to blend various possibilities of communication.
2. Ensure that all of them convey the same message, consistently.
3. Track all expenditure by product, promotional tools, and relate the observed effects with improvements in future applications.
4. Create a philosophy of capabilities and cost effectiveness of each tool.

It forces you to consider all the possible tools at your disposal to communicate brand's positioning directly with your customers by making sure nothing is left uncovered.

The question of budgeting

It involves a very sensitive question of budgets here. Before budgets could be allocated, you have to carry out situation analysis - where we are and why? This analysis has to be related with objectives - what the brand is aiming for in sales and share?
On the basis of these two elements, the communication strategy is crafted, which means you have to determine what role advertising and promotions will play? Long term brand building is of utmost importance.
The appropriations are made in a few different ways.

Methods of appropriations

You allocate resources as percent of sales. Some argue this is not good. This gives the impression that sales drive communications. In reality it is the other way around. But, this remains the most popular method of appropriations. Once you have the budget, you must break that into allocations to different tools – advertising, promotions, and any other.
Whatever the budgets and further subdivisions are, those have to be allocated to the brand in light of the response effects and in relation to all the tools of communication. The tools must fit well into the brand-based strategies.

Summary

Understanding of the response effect hierarchy is of paramount importance. Without that understanding, brand managers will not know which stage needs emphasis in terms of

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communication at a given point in time. With this limitation present, they will not be able to formulate the right communication strategy. While making a strategy, managers have to be mindful of keeping in sharp focus corporate strategy and vision, brand positioning, and the need to kick off an integrated campaign with a competitive bite.

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Lesson 33

ADVERTISING

Introduction

We have briefly talked about the tools of communication as advertising, promotions and a few others. The discussion took place in the context of the fundamental understanding of how and why they should be considered while they constitute parts of strategic communication campaigns. This lecture is going to look into the very mechanics of the vital tool – advertising.

Advertising

It is the most visible and dynamic form of communication. It is captivating because it emotionalizes facts. A good advertisement turns facts into positive feelings that appeal to our emotions, and actuate us to take an action into buying something. A good advertisement therefore is more about sales than emotions; stirring emotions is a means toward the end that is sales.

What we need to comprehend in relation to advertising is the following fundamentals:

1. Developing advertising
2. Executing advertising

Developing advertising is very strategic and has to stem from the brand picture and brand positioning. We develop a picture for the present and positioning for the future. This shows us the gap. The gap between picture and the intended position is a reflection of sales volumes that we want to achieve with our positioning, whatever the case may be. The first aspect that we deal with the development process is the ***copy*** of advertising

Copy is an essential part of advertising. It is an expression which refers to all the information that we communicate through the advertisements to our customers. In case it is a TV commercial, we call that the "story board" - SB. The "SB" also draws its essence from the copy of advertising.

Since information on the copy cannot be limitless, we have to be very precise, imaginative, and creative in developing that. It must reflect brand contract and brand positioning and yet be very easy in content and catchy in visual.

Copy Strategy is the next level of the concept to be understood. It is essentially an extension and elaboration of the brand's marketing strategy and objectives into the advertising or copy area.

Copy strategy is a long term document which states the ***net impression*** that we want consumers to have of the brand. Net impression consists of the basic selling idea or end result which the brand is promising to the consumer and which constitutes the principal reason for the consumers to purchase it in preference to competition. Following are the examples:

- For a brand of soap, it could be ***extra mildness.***
- For another soap, it could be ***superior cleansing cream*** and, hence, softer skin.
- For a detergent, it could **be** ***cleaner wash.***

Extra mildness, superior cleansing cream, and cleaner wash are the net impressions that we want to communicate. Copy strategy therefore is a statement of the ***principal characteristics*** of the product and talks of the reason ***why*** the promise is deliverable. The following expresses that:

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- For a tooth paste, it could be the ***fluoride ingredient***, or ***clove oil***.
- For a detergent, it could be ***high quality chlorine*** with unique cleansing, bleaching, and disinfecting properties etc.

It also is a statement of the ***character*** and ***personality*** - persona we are striving to build for the brand, which will be addressed in the mood atmosphere or "tone of voice" of advertising. You may consider the following:

- A soap meant for workers can be characterized as clean, wholesome, honest, and caring owing to its medicated properties.
- For a tea brand we can create mood atmosphere of leadership, vigor, and vitality. "Tapal" tea's recent TV commercial with a man riding a horse, getting energized, and then acknowledged by a movie world celebrity is a case in point.

Given the importance of the copy strategy and development of the strategy statement, we must determine whose responsibility is it?

Whose responsibility? The effectiveness of the copy is the responsibility of the *advertising agency*, but ensuring that copy is effective is the responsibility of the *brand manager*.

Major responsibilities in the area of copy are:

1. Define the basic marketing problem on the brand and develop the basic copy strategy with support and contribution from the agency.
2. Gain management approval for the copy strategy, which is an extension of the overall marketing strategy.
3. Ensure that agency is working on longer range experimental copies in view of the evolution that you envisage. Changes to keep the brand current come into play for keeping the record well documented and structured.
4. Develop an understanding of the basic principles of good copy, so as to assess and evaluate copy submissions effectively. The principles dictate that a good copy should be
   i. Having attention-getting value
   ii. Relevant
   iii. Simple
   iv. Visualizes the story
   v. Integrates audio-visual elements to make sure that the copy has the competitive bite, meaning it is effective and cannot be ignored.
5. Evaluate the total effectiveness of the commercial and the basic selling idea involved without getting stuck with minor details.
6. Don't ignore the story board. It is very significant.
7. Analyze copy related research and keep track of the competitors' advertising moves and changes.

Factors considered in development of copy

1. The product, its appearance, form and basic performance characteristics.
2. Competitive situation, the nature of other brands in the field and what they are offering to consumers.
3. Blind tests, usage and attitude studies, other information relating consumer's reaction to the product, and the marketing climate in which the product is to be sold.

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4. Marketing experience of brand and of other brands in the field.

What purpose does a copy serve?

1. It provides a degree of continuity in a brand's advertising that, over time, will help that brand come to stand for something specific in the mind of the consumer.
2. It can help a brand achieve distinctiveness and stature in a competitive market.
3. It provides guidance and direction to agency's creative people. It prescribes the limits within which an agency exercises its creative imagination.
4. It takes care, on the one hand, to be sufficiently concrete and specific about a brand's copy objectives, and, on the other, adequately flexible to provide latitude for fresh and varied presentations of the brand's story – evolving needs and response to those for keeping the brand current.
5. It provides a common benchmark on which all concerned in the company and the agency can evaluate the merits of advertising submissions – new campaigns or individual ads in existing campaigns.
6. A clear copy strategy can save a great deal of creative time and energy, because it identifies those basic copy decisions, which we do not intend to review and rethink each time we look at a new piece of advertising.

Summary

Advertising is the most vital tool of communications. It has two fundamental constituents, developing advertising and executing it. Toward development, we must understand the role of copy and copy strategy. Copy strategy forms the essence of the campaign.

For brand managers, it is the most important area in the formative years of their careers, for copy development is one of those functions they will be required to execute efficiently. The essence of brand's characteristics in all their forms have to be accurately understood and communicated to the advertising agency, whose responsibility it is to make the strategy effective. Since brand managers have to formulate the copy strategy, they must ensure that it is made effective by the agency in terms of execution.

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Lesson 34

ADVERTISING

Introduction

This lecture emphasizes on evaluation of advertising campaign before it is launched. Some basic considerations are discussed, which if followed, give you a decent level of confidence about the effectiveness of your campaign. Having been done with *developing advertising*, the lecture also addresses fundamentals of *executing advertising*.

Evaluating new advertising campaign

This evaluation does not mean assessing the impact of a campaign. It is pre-launch evaluation on the basis of five fundamental points:

A strong single basic idea: A good campaign revolves around a strong single idea. This single idea is a reflection of brand's positioning. Brand's positioning rests on one strong benefit, you will recall! You have to ensure that good advertising contains a single idea and is not simply a listing of the virtues of the product. Selling idea can be based on the following factors when you plan development and execution of advertising:

- It's new – you can talk about newness.
- It offers a solution to a problem. Your punch line can be based on this aspect.
- It is thought-provoking; it should cause the consumer to think about your product and develop some attitude and feelings towards that.

Natural growth of the idea: You have to make sure that it grows naturally out of the nature and character of the product. It should capitalize on the virtues of the product, which the consumer will readily see in the product. It ***must not*** try to artificially create an interest that may not be readily related with the product.

***Appeal to self-interest*:** It should appeal quickly to the self-interest of the consumer. The consumer should associate the product with some service to him. If not, then he is not going to have feelings and attitude toward your brand.

***Your own custom-made approach*:** The campaign should follow an approach that sounds and looks like your own. It should be distinctive in relation to your positioning and brand persona. It should be memorable in that it can be readily associated to your brand and not those of competitors.

It must not wander off*:** In its execution, it ***must stick to the positioning, main selling idea. It ***must not*** wander off the main selling point into different directions? In sticking to the main selling idea, you may point out the significance of the promise, offer reasons why this promise is possible, or relate various attributes to the basic promise. You will recall from lecture 20 how to assess the main attribute/benefit for positioning from customer's standpoint.

Miscellaneous considerations: A few straightforward considerations must be taken into account while you evaluate advertising for its effectiveness. Some of the following questions provide valuable insights and build up your confidence about the relevance of the campaign:

- Is it simple?

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- Does it reflect the character of the product?
- Is it interesting enough to get readership?
- Does it take advantage of the medium?
- Does it demonstrate it point?
- Is it specific and thought-provoking?

If all the points really represent themselves as campaign constituents, it is a good campaign and reflects your strategy statement and copy strategy. And, that is a reflection that your positioning and persona are well translated.

Executing advertising is all about ensuring a high level of customer response effects. It deals with:

- Target market reach
- Media selection
- Media coverage
- Message frequency
- Ad content or copy, and value proposition.

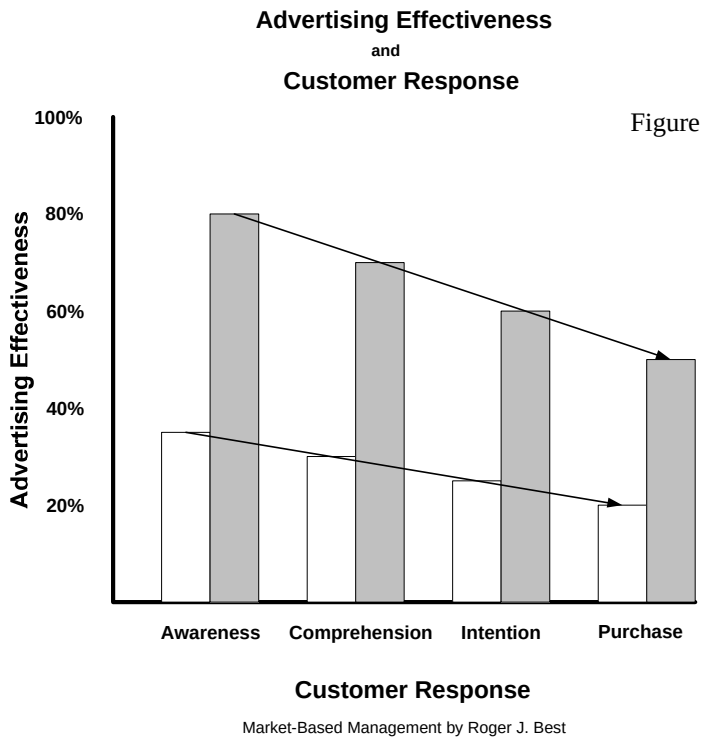

Figure 41

What we need to learn here is the "why-not" factor, that is, why may campaigns not generate the required level of customer response? Let's take a look at that.

For any level of awareness, the levels of comprehension, intention, and purchase are consecutively lower. The higher the level of awareness, the higher is the level of purchase. It is also important to note again that purchase level does not increase as much as does the awareness. The accompanying graphics illustrate this fact.

To have a higher level of purchase, we have to work hard to jack up awareness. Building awareness, therefore, is the first step toward building profits. Sustained loyalty depends on customer retention and his coming back and back for purchasing. It is this repeat purchasing that has a direct relationship with profitability.

The basic objective of communication is to increase awareness among the target market and not general public. A well known and memorable campaign is no good if it does not generate the required response.

<u>Target Market Reach - Media Selection and Customer Awareness</u>

In order to reach your target customers effectively, you have to have a good understanding of their media habits, like

- What TV channels they watch?
- What newspapers and which parts they are interested in?
- What magazines they prefer?

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- What radio stations and at what time?
- How do they go to work and get exposed to the outdoor media?
- Are they internet users?

All of the factors have to be considered before you buy a combination of media to reach your target customers. Everything adds to cost and the incremental cost has to be related to the increment of economic benefits.

Message Frequency and Customer Awareness

Once you have chosen the media mix, the next question is how many times you should expose your target customers to your message. Doing it too few times is not going to serve the purpose, for the message may not make inroads into their memories.

You have to decide about the right frequency to make the message meaningfully effective in terms of its registration. It could be "concentrated communication strategy" or "distributed communication strategy"[1]. You concentrate generally for seasonal products and distribute for the ones that generally sell round the year.

Ad Copy and Customer Response

We have learned quite a bit about the role of the ad copy toward creating awareness and comprehension. We must be sure that the message is rightly received and interpreted at the customers' end. One approach is to test the copy before running it nationwide, especially if it is a TV commercial.

Fragmented media has given us the advantage of testing. If the results are positive in terms of comprehension by the target market, you should go ahead with the campaign. Needless to say that ad copy is best able to attract customers when it is really based on customer needs and situations familiar to customers.

Message Reinforcement

One hard fact of communication is that it has to be continuous, repetitive and reinforcing. Building awareness, comprehension, and intention will bring in a good customer response, but will diminish if the message is not reinforced. That is precisely the reason that you see advertising for soaps, ice cream, and cell phone services almost round the year.

Maintaining a high level of awareness is expensive. One approach to reinforcement that maintains awareness and reduces copy wear-out is "pulsing", which is use of alternating exposure periods. Other approach is "heavy-up" for seasonal items.

You go for pulsing to maintain a base awareness of your product throughout the year, while heavy-up its message frequency before and during the high sales periods.

Summary

Advertising should be developed keeping brand positioning in mind. If positioning has been chosen right after assessing all the product benefits from customer's standpoint, then chances are that campaign will be based on the most appealing benefit and character of the product. It will be simple and straight forward with no ambiguities. It should be very natural not communicating anything that does not belong to the product.

While executing advertising, the customer response effects should be kept in mind and campaign devised accordingly. Awareness must be created at a very high level in order to achieve a decent level of purchase by customers.

The factors of considering the target market, message frequency, and reinforcement should be considered carefully to execute the campaign effectively.

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Lesson 35

SALES PROMOTIONS

Introduction

For communication to be effective, it is important that we do not rely on just one tool. Experience shows that more then one tool should come into play to create the desired effect – the final action of consumer to buy. Promotions complement advertising and the objective of this lecture is to see how that works!

Sales promotions

No matter how good is the copy and the response effects like awareness and comprehension, they may still not actuate the target customers to go for the action. It is there that the role of promotions comes in. It becomes essential, especially in case of new products, to have those products tried by the customers so that they can know the benefits the brand offers. In other words, advertising does its part by creating awareness and comprehension that form a level of customer pull.

Having created the pull, you then have to create a push so that the pull-and-push effect results in the desired action. To create that push, you have to involve intermediaries. Without their help marketing communication programs and whatever those translate into will not succeed. According to one estimate, one-third of communication budgets are spent on advertising and two-third on promotions[1].

Of promotions, 37% is spent on channel intermediaries and 63% on customer promotions[2]. Push communications are directed toward channel members (37%) so that they have an incentive in carrying stocks and making sure there are no stock-outs. The second step toward the push is customer incentives (63%) that actuate the customers to test the product either as frees or through other inducements.

In other words, just like we created a media-mix in terms of advertising, we again have to create a promo-mix in order to ensure the desired action on part of the customer.

Promotions – trade-directed

The reason it costs to involve traders in the promo game, because they know their role and power. While you offer something to customers, the retailers expect something to themselves also, for they are stocking your product more than the normal levels in the hope that push will work.

You may also need extra space or prime space in order to make your promo-based offerings stand out for the customers not to miss those. For that you have to offer some incentives to retailers to do what you want.

Involvement of sales staff

Involvement of your sales staff is of high importance. They were involved while you were building the brand picture. You also involve them while you review the picture. Being close to the customers and trade, the sales people understand the market better than anyone else, and hence, must be involved in working out the levels of discounts and incentives. They understand the purchasing criteria and the overall process through which not only customers, but also traders go. Keep them involved amounts to keeping everyone in the company close to reality[3].

Relationship marketing takes on an added importance here. Sales people take on the role of customer relationship managers as well.

Promotions – customer-directed

Such promos are on the increase. The main types used are:

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- Store price reduction
- Multi buy/Multi-save
- Additional quantity in pack
- Manufacturer's price reduction
- Coupons
- Rewards and gifts
- Free items (sampling)

Involvement of sales staff becomes important here also. Extremely important here for brand managers is to stay in close coordination with sales and finance. Working out accounting modalities while promotions are to start is important to keep records straight. Let sales people inform members of the channel through company circulars about the campaign.

Effects of promotions[4]

1. Promo increases sales in short-term
   According to one source the elasticity (the increase in sales as a result of a certain expenditure on promotions) of sales to promotions is much bigger than that of advertising. It is 20 times as much. This doesn't mean that every promo is successful. But, a well chosen and well planned promo certainly increases sales in the short term.
   The effect of promo is, therefore, short lived. It may not last beyond the period of activity. Period after that may see a drop in sales, for customers buy in excess of their requirements. This is what can be termed as "borrowed sales syndrome" – borrowing high sales from future at a certain point in time and then seeing a drop at a later stage.

2. Promos may be unprofitable
   All promotions cost money. They definitely cut into your contribution margins, leaving the company less profits. When you add the costs of disrupted production schedules, distribution and logistics and the net effect may well take you into a loss situation. Businesses, according to one argument, exchange profits for volumes, which may slide immediately after the promo is over. You must see to it that promos do not land you in a loss situation.

3. Duration should be short
   Duration should be short and promos should not be repeated too often giving the consumer the feeling that your brand is not worth regular purchasing and needs crutches all the time to sell. Instead of the fact that brand should generate value by charging premium, which must be central to its core, it devalues itself if subjected to prolonged or very frequent promotions.
   You have to be careful about the response effect stage, determine your goals, and then see how best you can create customer value by also ensuring profitability for the company in the long run.
   The devaluation occurs all the more so because promos are easy to imitate by competitors. Imitation leads to a cycle of escalation and eventually to price war. The whole category suffers and the brands are reduced to commodities with no winners.

4. Other Effects
   Promos, though expensive, have a lot of power to do good things to brands. Getting a brand trial in itself is an achievement. If the product is good, then consumers will hook on to that. In other words, it depends on the brand what promise it carries and how it delivers that. Brand with a good contract along with other factors of marketing-mix will

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do well if promoted sensibly. Marketing people should relate the extra expenditure with the extra volume that can offset the expense.

Summary

Effective consumer promotions drive traffic, enhance awareness, increase trial, and build the brand. All you need do is be very clear about your objectives and goals, which are to gaining and keeping customers, enhance brand's image instead of focusing on cutting price.

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Lesson 36

OTHER COMMUNICATION TOOLS

Introduction

With advertising and promotions done, this lecture discusses the remaining tools of communication. All these tools have fit with different situations, both in isolation and in complement with each other.

PUBLIC RELATIONS, EVENT MARKETING, AND SPONSORSHIPS1

Public relations

Public relations (PR) can be cashed in through favorable coverage to your brand in relevant magazines, newspapers, and may also be on television shows. You can talk about your success story, go for an interview by one of the seniors in your company, or publicize a good social deed done for no tangible commercial gains. It is a good strategy and well pursued goal to bring to your brand good publicity and positive attention.

As and when you get more into advertising, your relationship with the media should strengthen, who generally are willing to help their clients gain importance, limelight, and promotion. Capitalizing on public relations should be the goal of every brand manager, who serves as the key connections between their companies and the media that offer public relations opportunities.

PR for Negative situations

Not all PR is positive; you have to undertake efforts, at times, to counter negative situations. The bird flu crisis of 2006 is a case in point. Companies in the branded chicken business educated their customers about all vital facts relating the crisis. It was done both through advertising and PR exercises that complemented the advertising part.

The fundamental principle in managing the crisis is to go about in a planned way. You should develop if and then relationships (contingency plans) and be honest and straight forward in communication with your target market. Straight forwardness is the key to making PR in negative situations effective.

Event marketing

Event marketing and sponsorships are other ways of creating goodwill. You have to be well connected in the market not to miss an opportunity. When known for undertaking such promotions, many organizations will contact you to stage something to that effect. The examples are:

- Award ceremonies on TV
- Sponsorships of TV regular programs like cooking.
- Sports events

The positive side of such things is they are economical and cost less than regular TV or high-end print advertising. Brand managers should not get subdued by the glamour of the event itself. The most important question here is to decide whether or not such efforts are going to reach your target market? The answer lies in planning activities from reaching the target market standpoint.

Direct Marketing

This mode of marketing owes to well structured communications in the form of catalogs. This has been and is quite popular in the Western markets. Lack of time to go shopping coupled with

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good reputation of direct selling brands are two factors that have made this mode a trustworthy way of buying consumer goods.

But, technological advances of the recent years have given the concept an impetus. We now have what you may call "new marketing"[2]. What really has given the concept strength is its ability to allow businesses develop a long-term relationship with their customers through credible communication.

Businesses have realized that lifetime value of a buyer is huge as compared to one purchase. Getting a new buyer is much more costly and that provides the businesses the logical reason not to lose that buyer and the "relationship". It is an opportunity to maintain "relationship". Thanks to technology that provides means through internet to stay in contact with your customers and maintain the data bank for different kinds of research models.

Foundations of one-to-one relationship

1. Companies must maintain records for each customer that show not only all relevant classification data as name, address and demographics, but also responses to previous communications.
2. All info pertaining to previous purchases should be maintained relating at what price and in response to what offer or communications it took place. A good data base allows managers to analyze it right down to the individual level in terms of buying behavior. This means that companies can now target individuals or groups of individuals accurately.
3. The firms can also measure the effects of a communication campaign accurately with the ability to improve the database and the methods of interpretation on a continuous basis. Think of company XYZ maintaining the data and contacting their customers on a regular basis.

   FMCG companies have started developing direct marketing model via the internet and are experimenting with millions on their lists. Based on the models, they can tailor their offers more and more closely to the individuals' known preferences. Direct delivery services offered by restaurants and other food chains in our market are excellent examples of this phenomenon.

   According to one reference, direct sales through catalogues and internet have topped US$500 billion3. Even chains of stores have started selling through this mode with no visible dents into the sales through their stores. There are well known companies that specialize in sales through internet – B2C – having databases so huge that they can rent that information to others for research purposes making it a line of business in itself.

   Since use is increasing at a fast pace, many advertisements in the main media contain internet addresses of companies' websites. It offers new opportunities in a global market. You can see anything in pictures with pricing and a lot of details.

   Depending on the value of purchase, companies decide whether to deliver free or on charge. The delivery, however, is the responsibility of the seller.

   The main question remains, with such a wide access to the net, how many people want to be interactive? Can you see such people on the action stage of customer response effects? They want to buy what kinds of products and how often? Many surf for the sake of fun and do not buy. The answer lies in whatever evidence that we may have and can assume the concept is going to multiply. You, however, have to plan your campaigns in a way which integrates all the vehicles of communication in line with your goals and objectives.

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4. Communicate across the organization and create internal involvement
   Unless we let everyone in the organization know what we are trying to do with the brand and its communication strategies, the communication either
   - May not fully come to life, or
   - May assume meanings contrary to the brand's promise

   Think for awhile operations people not being on the same wavelength as marketing people in case of sandwiches XYZ. Operations are building the promise and marketing are delivering it. They may start working at cross-purposes only because the promise does not match with what is being claimed by the ad copy. You have to interact with all the touch points that brand management may have within the company. Education all across the functional boundaries about your communication objectives in the light of your brand's vision is a must.
   You will see that you are building a sense of ownership among all relating the brand and brand's communication. You will also get support in areas, you may have overlooked earlier, that will add to the meaning of your communication.
   In developing your brand-based communication plans, you have to think of every stage of communication that a customer may have with your brand. Your strategies must lay specific emphasis on all possible encounters that the brand will have with him/her. You will recall that your brand communicates with the customer before buying, during the sale, and after the sale.

Summary of communication

Communication brings positioning to life; it deals with four major strategic elements of brand management.

1. Corporate vision
2. Brand vision
3. Brand promise
4. Brand positioning

We have different tools of communication at our hand. Advertising and promotions are the most widely used tools; both must complement each other; we must not forget the pull and push properties.
While dealing with advertising, we have to follow a few following fundamentals the understanding of which is very significant

1. Copy
2. Copy strategy, and
3. Brand-based strategy

We must understand the rules that lay the foundation for developing the right copy in light of all strategic elements; the product's basic character, its values, the promises it makes, and why they are deliverable. Following the rules rightly, we can bridge the gap between promise and positioning – the present and the future.
We must also understand the philosophy of customer response effects and then craft our communication strategy in relation to different effects employing different tools; this will give us the right brand-based strategy.

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Lesson 37

PRICING

Introduction

We move on to the next learning block of pricing. The lecture discusses the concept for developing premium pricing for your brand. The considerations that lay the ground for developing such a model are a part of the lecture.

Pricing

Once you have determined the positioning of your brand, developed brand architecture, and have plans in place to leverage it through the right channels and communication, the next most important task is the determination of pricing. Pricing has to be done keeping in mind that your brand is an asset that is going to provide you with the right contribution to enable you achieve all your financial goals.

Raising or lowering the price point makes the difference between high or low contribution margins. Pricing, in other words, determines the level of value that it adds to the company.

The ideal situation is that we try to command a premium price in relation to competition, but idealistic set of circumstances is not what always prevails in the market. We, therefore, have to take a realistic look at all the determinants of our brand architecture strategy in the light of forces that define the market.

Strong umbrella lets you charge premium

If you are stretching a strong, powerful brand or following umbrella strategy to gain the benefits of a strong brand, then you should be all set to go for a premium price.

Source/endorsing brand strategy also helps premium

Similarly, if you are introducing a new brand under the source brand or endorsing brand strategy to gain the benefits of brand power, you again are in a position to charge a premium price.

The question is what if you are a new company offering a new brand? It may be difficult to go for a premium pricing. However, it is not impossible. You may co-brand and go for a decent price point, if not premium.

There are so many different pricing models, but let's concentrate on the premium price model and see under what conditions it works best? Some of the following conditions offer a good ground for brands to stand on and enjoy the benefits of premium pricing[1]:

- The stronger the brand, the greater the potential to charge a premium price. Customers are always willing to spend more on a brand that is well established and commands power.
- A strong extension (line or brand) sets the stage for a launch that is less expensive and, hence, offers you a platform from where you can extract better margins. This is a case of lower costs!
- By the same token, you can recover development and launch costs sooner if your introduction is endorsed by a strong brand. Customers are willing to try a new product under a familiar brand name than a new one. This also entails lower costs!
- The larger the base of loyal customers, the greater the chances that those customers will pay a premium price. That is why managers work so hard to retain their customers over time. The longer customers stick to one brand, the more they are willing to pay, thus enhancing value of the brand.

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- A strong brand allows all the members of the channel to make more money and make it fast. It, therefore offers you the leadership role and you control the channel.
- A strong brand offers opportunities like licensing, franchising, and co-branding. Capitalized strategically, these offer companies value in financial as well as market terms.

Three facts about strong brands

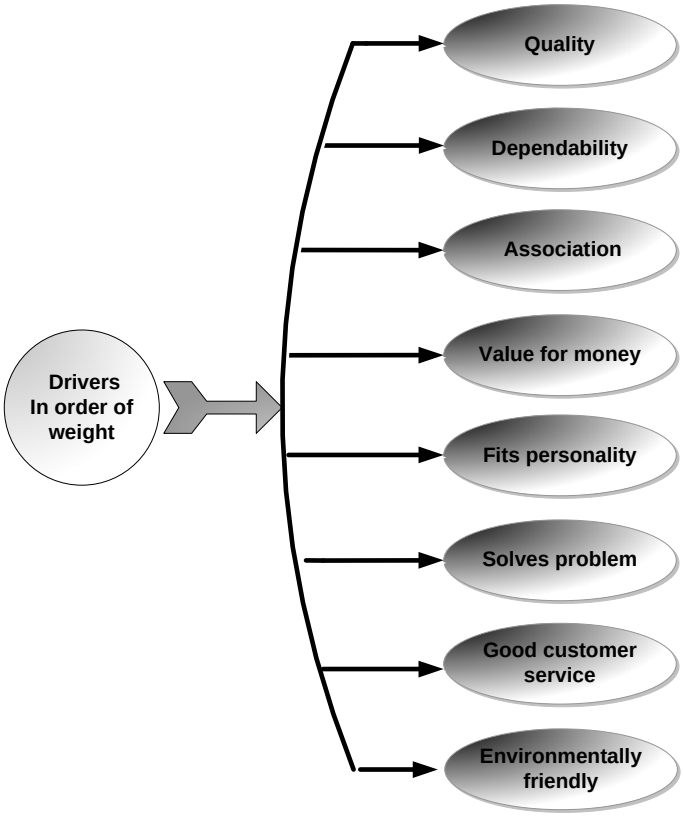
We can figure out three facts from the above conditions:

1. Brand strength, pricing, and costs are related
   Brand strength, pricing, and costs have such a relationship that their combination allows you to have a healthy bottom line either through charging a premium price or through lowering costs.
2. Strong brands offer added benefits and hence premium
   Another fact that is clear is that strong brands are superior products that offer you added benefits. If you happen to be at the top of the value pyramid, there is nothing stopping you from charging a premium price.
3. Brand loyalty brings you premium
   Similarly, it becomes obvious that loyalty and premium pricing are also related. Maintaining brand loyalty, therefore, is one of the prime jobs of brand managers who must know what are the drivers of brand loyalty?

Factors that drive loyalty

General observations of marketing managers are substantiated by research findings that show us that the factors that really drive loyalty carry weight in the order they are shown as grtaphics[2].

Figure 42 **Drivers of Loyalty**



The order is significant, and convincingly reflects the fact that it is not the price that a company should focus on; it is the benefits that must get concentration of managers. The more a company can generate the drivers on top of the list, the better chances it has to charge a premium.

The concept of value pyramid is getting a testimony for credibility here. The need to be consistent all along the road from brand picture to contract to positioning to brand architecture and communication cannot be emphasized anywhere more than here at the price juncture.

The pricing, in other words, has to be consistent with product development strategy. Rest will fall in place. A good product that can offer customers the benefits illustrated graphically, preferably in the order shown has a great chance to demand a premium pricing. This applies to all brands, tangible

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products and services, regardless of the category.

We have seen how a premium pricing model works, but then not all situations are conducive to charging a premium pricing. What then is the right model? We shall discuss that in the next lecture.

Summary

The discussion makes one strong point that in order for a brand to command a premium price or a level of decent price, it has to make itself strong. Brand managers should consider brand architecture both from the multiple standpoints of market acceptance, lower costs, and better pricing. The stronger the brand, the better the price it commands.

Brand loyalty is the strongest ingredient of premium price. Customers tend to accept premium pricing if they are loyal toward a brand. Loyalty is a function of so many factors that consumers have rated in order of preference. Going by that it becomes clear that managers should work to strengthen those factors and good pricing will fall in place.

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1. *Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brand"; Jossey-Bass, a Wiley Imprint (200-202)*

2. *Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brand"; Jossey-Bass, a Wiley Imprint (206-207)*

Suggested Readings:

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Lesson 38

PRICING

Introduction

We have seen how a premium pricing model works, but then not all situations are conducive to charging a premium pricing. Not all companies at all times can charge a premium or a decently high level of pricing. There are different models that cope with different situations and this lecture makes an attempt to explain those.

The pricing models are grouped into two pricing bases. The discussion centers on both the bases of pricing – market-based pricing and cost-based pricing.

Market-based pricing

Market-based pricing starts with the customer, competition, and company positioning. Keeping in view customer needs, price sensitivity, and competing products, a price is worked out to offer customers a superior value[1]. The price is worked out in the market.

This pricing model is just not possible without having a focus both on customer needs and competition (market intelligence). Concentration on one to the exclusion of the other is not going to enable you to come up with the right price.

Price, under this model, therefore is set in the market and not internally within the marketing and finance departments[2]. Market-based pricing model can be executed with different strategies relating product life-cycle stage. Those are briefly discussed for your renewed understanding[3]:

Skim Pricing: It works under the circumstances of high differentiation that gives you a sustainable advantage in quality-conscious market. The business charges a premium for delivering superior customer value until competition catches up.

Value-in-use Pricing: This model basically applies to consumer durables or industrial products that stay with customers for a certain period. From the time the product is bought to the time of the completion of the life-cycle of the product, the customers have to incur certain costs. Those certain costs could be anything from installation to maintenance to resale of the product.

If customers perceive that the economic benefit that they get out of buying such product is higher than that of competition, they will be willing to pay premium for your product. Examples are air conditioners and cars. Customers will pay more for brands they think offer them better value-in-use.

Segment pricing: One of the goals of segmentation is market-based pricing. Different customers in different segments have different product needs and different pricing priorities and sensitivities. This pricing model offers opportunity to set different levels of pricing for different needs. An example could be different packages offered by cell phone companies.

One thing must not be overlooked that the concept of economic value remains in force while working out pricing for your products belonging to different segments.

Strategic Account Pricing: Large customers are important customers to any business and therefore taken in a strategic light. The underlying assumption is always to maintain a long-term relationship with such customers with focus on meeting their needs. To maintain the strategic relationship, you may offer a special price to such customers, while general prices are on the higher side.

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By the same token, you may also make them pay you higher prices, while the overall conditions generally slacken and prices register a fall. Since the objective is to serve the customers with a long term perspective, offering them economic value that surpasses the one that may be offered by competition, the model works well.

Plus-One pricing: This model applies in mature market conditions, in which all products carry good benefits for customers. For those brands that are bent upon differentiating themselves from the rest of the crowd, they position themselves as a "plus-one" brand.
A "plus-one" position allows the business to charge a market-based premium price on the basis of ***that one feature which competition does not offer***. Examples are Volvo for safety, BMW and Lexus for performance, and Mercedes for overall reputation of performance, luxury, and dependability.

What is important is an understanding of all the cost drivers and the full value of the product. Realizing the full value of the product that the customer perceives getting may offer an opportunity to charge more than what the traditional cost-based mechanism may present you. Attentions to product benefits and value for customer enable you to charge more, earn more and hence achieve more.

Cost-based pricing

Cost-based is adding your desired margin to the actual cost, and then adding to that margin of every member of the channel to arrive at the final selling price. Most businesses engage in cost-based pricing for their products. You may end up doing that, but you must not start with that.
Market-based pricing may look like the preferred approach to pricing, but it may not be ideal in many situations that may call for cost-based pricing. A cost-based model starts at the company with manufacturing costs in view. Desired margin is added and the product goes through successive channels with the same mechanism of added margins at every stage till it reaches the customer with the final price.
This pricing is applied mostly in the markets where differentiation is minimal. Let's discuss a few models in practice.

Floor pricing: As the name suggests it is the lowest possible price a company can charge. As a means for achieving certain financial objectives like margins or return on investment, companies set to themselves certain benchmarks. For example, we have to have 20% margin or 30% return on investment.
Such pricing is not a reflection of the reality of the market; it is a benchmark that indicates that at the established price, the company will remain a viable concern by achieving its basic goals. It should be avoided.

Cost-plus pricing: This is what is generally referred to as cost-based pricing. It is essentially mark-up based. A mark-up is added at every stage of the cost. The channel works on this basis and the final price is the consumer price. What is important for businesses is to increase their volumes and lower their costs at the manufacturing end. Reduced costs mean higher margins. However, the margins to other members of the channel should stay the same.

Penetration pricing: This model is applicable in situations of growth. You want to increase your volume and in a bid to do that you lower the price. High volumes bring

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the costs down. This model is workable in markets with minimal differentiation, price sensitivities, a large number of manufacturers, a large number of substitutes, and easy entry.
The one with the highest volume and share is in a position to cause a shake out and hence discourage new entrants from coming in.

Harvest pricing: This model applies to products at the decline stage when volumes are falling. You increase the price and try to reap higher margins on costs. When volumes further slide, margins compensate for that until the product fades away and makes way for another one.

We have seen that market-based pricing starts with the market, competitive situation, and product positioning and from there it works backward to arrive at margins.
Cost-based pricing starts from the company and reaches its final stage by adding mark-ups at every stage of the chain.
It is wonderful to command a premium price and make more margins, but volumes may not be that high. Conversely, it is prudent to follow a conservative approach that generates benchmarks for the company to charge prices almost bare minimum. But then, you may be grossly under-pricing and denying yourselves the opportunity of charging the right price.
There is no one answer to a variety of situations you may find yourselves in while pricing your brand. However, following are a few guidelines for you to be sensible in pricing your brand.

Differentiation*:* Level of differentiation does offer guidance into the kind of model you should follow. Market-based model for differentiated products and cost-based model for those with minimum differentiation seem to be one guideline.

Touch both the bases*:* Within the generalized guidelines, you should look into the positive aspects relating both the bases while pricing your brands.

Don't forget contribution*:* One important factor that you must not lose sight of is that of total contribution. You have to arrive at a combination of volume and margin that increases businesses' total contribution.

High volume and low price affect contribution negatively*:* Going for high market share and high volumes at the cost of price may not be a good strategy, for it affects contribution negatively. However, if there is a pressing argument for doing so, then consensus among marketing and other colleagues must be achieved to make the best possible decision.

Assess the perceived value*:* The perceived value your brand offers to your customers must neither be over-estimated nor under-estimated.

Stay within the mainstream price*:* Customers will never pay a price they think is beyond what they assess as the added-value your brand carries. Staying within the mainstream price is the answer. You should try to see how close or far off that is from both the models and what kind of contribution that offers. Subsequent to that consider the factor of contribution margin to have confidence in your decision.

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Summary

Both the models have their attractions and distractions. The objective should be to come up with the optimal level of pricing that offers the brand value and the company decent profitability. Based on your brand vision, you must come up with the model most compatible with it.

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Lesson 39

RETURN ON BRAND INVESTMENT – ROBI

Introduction

All strategic moves are made according to a game plan that we have learnt through different stages of the brand management process. From brand picture to positioning to channels to communication are all strategic formulations that require investment. If these formulations are put right, the result you get is brand value and profitability. To what extent the strategies in place are giving return on brand investment should be measured so that you can make adjustments in your strategic moves whenever and wherever those are required. The lecture throws light on that!

Return on brand investment – ROBI

The basic idea of ROBI is to measure brand's performance. To manage your brand well, you have got to measure its movement in terms of changing preferences and loyalties. The most important challenge here is to see that loyalty to the brand does not erode, for it is one basic measure of keeping your customers, bringing in new ones, and keeping them loyal as well.

There are different measures that are employed to gauge the strategic movement and growth of your brand. Such measures allow insights into the following factors or formulations that organizations have in place to ensure growth of their brands:

- Allow to see that *overall strategic movement* is according to the strategic plans.
- Offer insights into any changes that may be required in *adjusting brand position* or further strengthening it.
- Let you adjust or reinforce *communication plans* for consistent focus.
- Offer insights into *provision of resources* in a more effective way.
- Let you identify brand strength and *potential areas of growth* within and across categories, that is, line or brand stretch.

Why measure performance?

It can be argued that in the presence of accounting measures like revenues, margins, and returns on revenues and investments, why measure brand's performance? The achievement of financial goals is a requisite of the highest order. What else is needed? These are interesting questions and should be answered.

Beneath the surface of accounting and other statistical figures are *strategic factors* that cause subtle changes to brand's movement as time passes by. It therefore becomes important to track such changes in order to make right decisions and adjust tactical moves relating those changes. In other words, ***we measure, on the one hand, financial results, and, on the other, strategic factors that cause those results.***

Brand dynamics

There is a cause-and-effect relationship between strategic factors and financial measures. The strategic factors, according to the most relevant brand equity model by Young and Rubicam (Y&R) are[1]:

1. Differentiation
2. Relevance
3. Esteem
4. Knowledge

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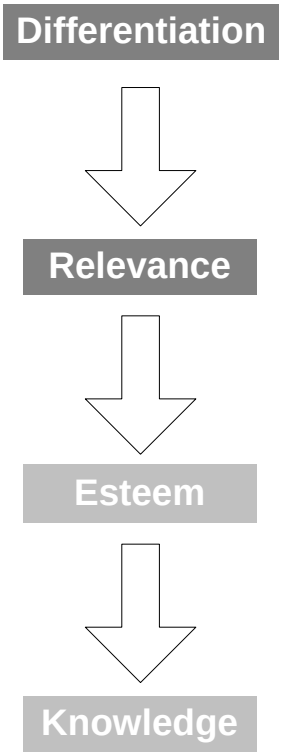
According to this model brands are built sequentially according to the four factors as shown in the graphic illustration.

Figure 43

Model of Brand Dynamics



Source: Building Strong Brands by David A. Aaker

Differentiation comes first, as no brand with ambitions can become strong unless it has a point of real differentiation. It is the bottom line characteristic of any brand that seeks to acquire price premium or a decent price with good margins.

Relevance is next on the model. It means that a brand must have clear meaning for its users. Unless it is relevant for the target market, it will not buy it, despite being much differentiated.
Very expensive professional cameras and chronograph wrist watches are much differentiated, but they have an appeal for a niche market and not a large target market. Therefore, they are no good for a common customer.
If a brand has differentiation and is highly relevant for a big market, it becomes a big seller and, hence very strong.
Brand strength, then, is a function of differentiation and relevance.

We can say that

Brand strength = Differentiation multiplied by relevance

We must try for our brands to become strong on both characteristics, which offer one "construct" of brand strength. The other "construct" comprises of the other two dimensions that are *esteem* and *knowledge*. Esteem multiplied by knowledge is the brand stature construct. See the graphics on the following page.

Esteem refers to perceived quality and a rise or decline in popularity. Customers loyal to their brands hold them in high esteem owing to the quality perceptions. Esteem then has a direct relationship with loyalty.

Knowledge illustrates that customers are not only aware of the brand and its product, but also understand the reason for this product's existence. They are aware of the positioning of it and have a true understanding of the brand. That is the height of the brand building process.
The four dimensions have further variants. You study their variants within the two major constructs and choose which ones are most relevant for measuring performance of your brand. In other words, the performance and subtle changes that are caused over time stem from these dimensions. Starting with awareness, recognition, and recall, these dimensions end with referral index.
As a reminder, these measures are carried out along side routine financial results to complete a balanced brand-building process. One important beginning about these measures is that they

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require researching across a representative sample of your customers. Maintaining a contact with them leverages your knowledge of the brand in a much more structured way. You can also improve upon the brand-based customer model that is a composite of brand picture, brand contract, and positioning.

Let us now take a look at the variants of the dimensions that become important strategic measures of brand's performance as shown by the graphics on the page after next.

On the differentiation dimension:
Awareness and recognition: Customer's ability to recall and recognize the brand as a distinct identity is a reflection of brand's strength. The more differentiated it is, the easier the recall and recognition. Awareness and recognition play a dominant role in building brand equity. Being in the minds of consumers, it also plays a role in developing outreach for the brand. It is similar to the measure that ad agencies undertake in establishing the aided and unaided recalls to gauge the success of their campaigns. Used as a measure of brand performance, recall and recognition should however go beyond just measuring the level of recall. It must provide relevant data that you can relate with other variables and gauge strategic implications.

Figure 44

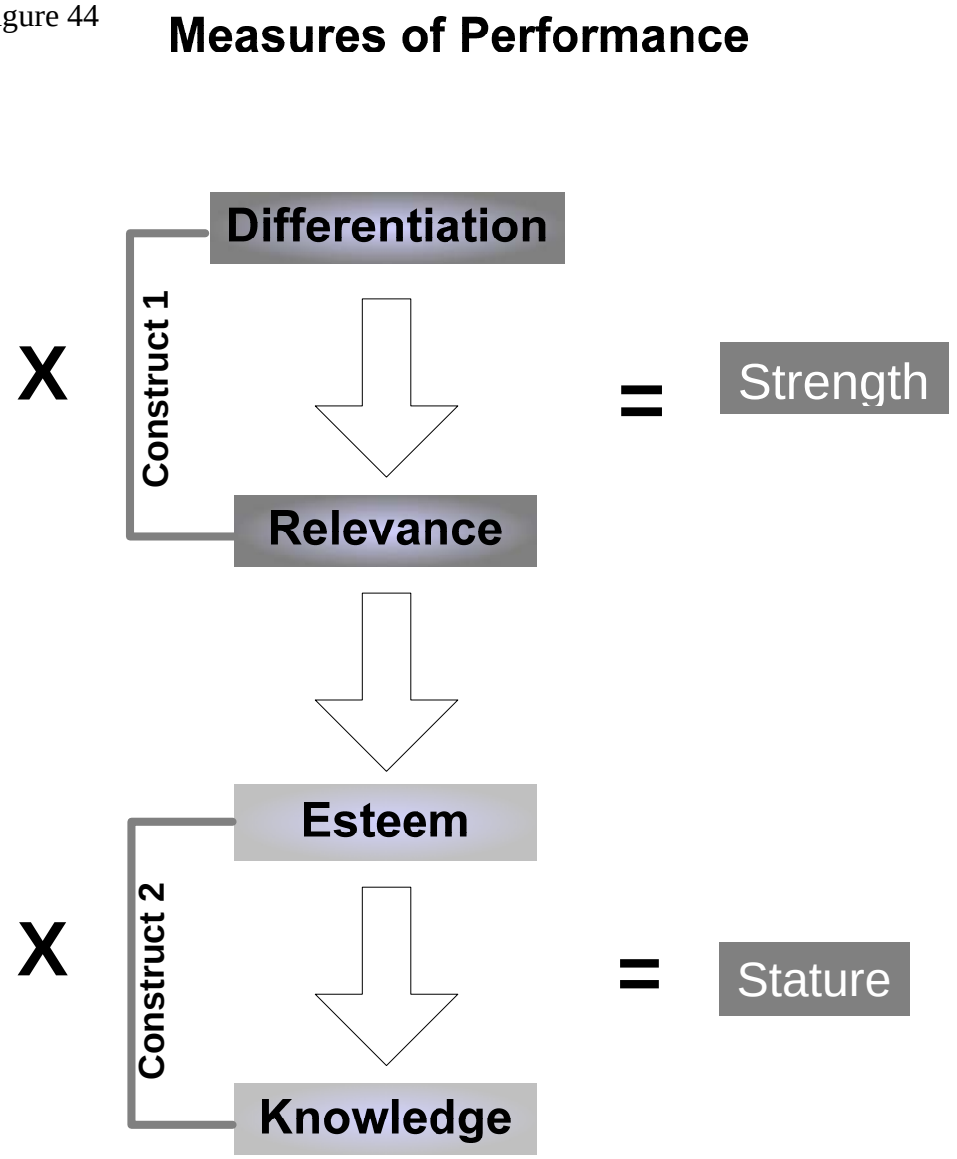

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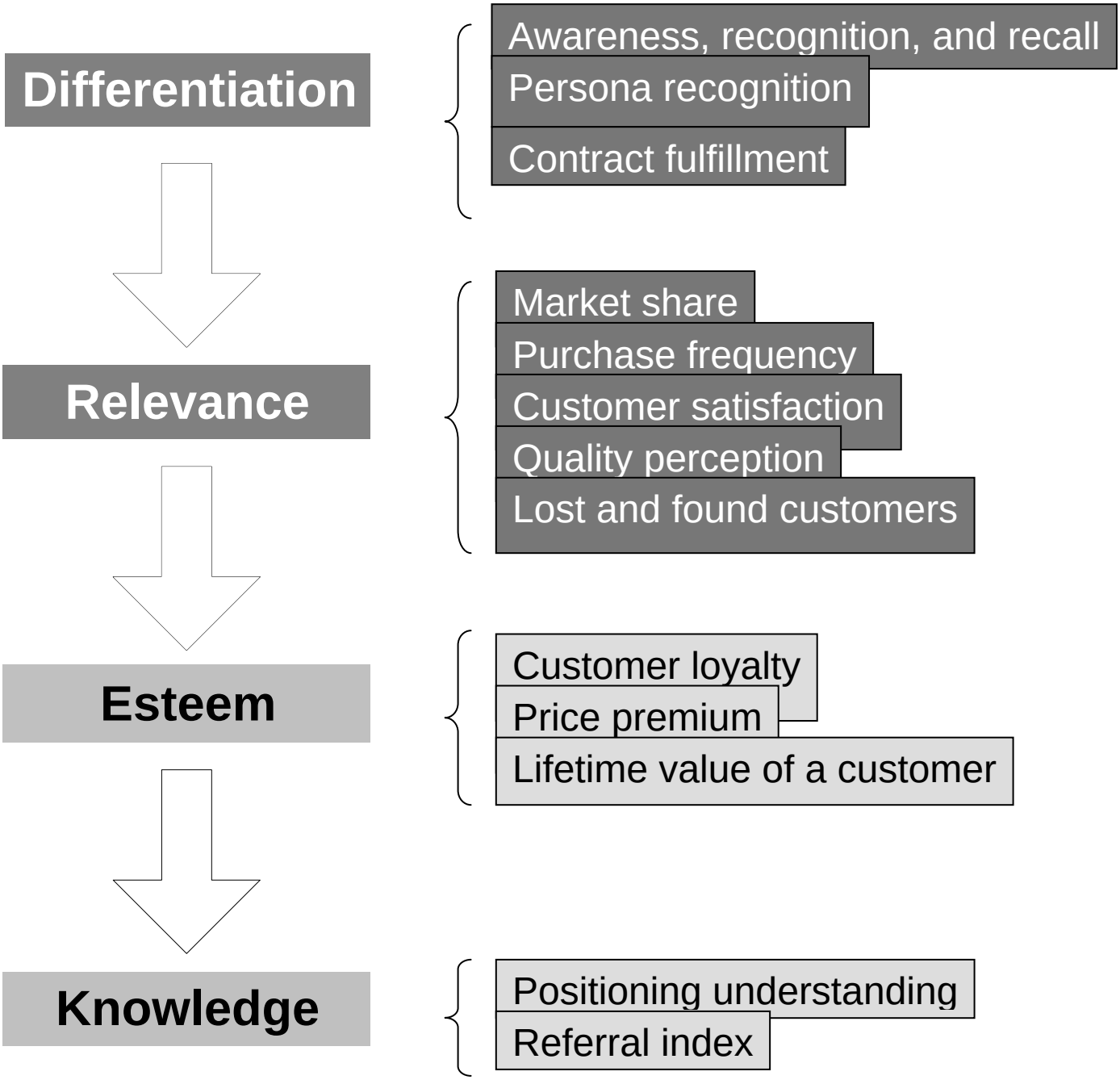
Figure 45



While carrying out research, importance should also be given to symbols and imagery. In many cases, symbols and images cannot be separated from the brand name when it comes to evoking a recall. Question about what comes to your mind in terms of symbols and images while we mention this name is important.

Getting people to recall and recognize your brand goes a long way in building brand equity. The data generated on recall and recognition therefore should be used very strategically in making decisions about different variables of the marketing mix.

Persona recognition: It measures the extent to which your brand is consistent with its persona. Are distinct and differentiated features recognized by your customers? Basically, it is a measure

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that tells you whether the brand persona developed by you is being received at the customer end the way it was intended!

This measure should also be drawn on a representative sample of your customers to find out how they associate themselves with your brand. It should be judged by the degree to which customers perceive receiving the benefits and developing emotional associations with your brand.

You, therefore, have to ***devise a questionnaire*** that is intended to evoke the correct and objective responses. The next step is obviously for you to compare the results with your original persona. Any variations that you detect have to be taken care of in relation to their nature and severity.

If you intended to create a persona of a dependable, friendly, and, informal brand and the results are contrary to that persona, you must make adjustments where ever those are warranted – in quality, packaging, just the visual part, symbols, or maybe your communication.

The chances are that major changes will not be desired, for your persona should not be that much off the mark to dictate major changes. That will, most probably, bring your focus on to the imagery, where some adjustments will fix the problem

Contract fulfillment: It measures the extent to which the brand upholds the contract. Are all promises being delivered? This measure gives a straightforward report on how much your brand is keeping all the promises it has made with its customers.

Are customers satisfied about whatever they think should be delivered is being delivered? If the answer is yes, then you are keeping the contract. Any breaches dictate that you must repair the contract and win over customers' confidence.

You will recall this contract is only emotional and economic in nature. Unavailability or erratic availability of a successful brand of yours reflects flaws either in distribution system or company's logistics.

Customers expect regular availability to reap the benefits your brand offers. This is a breach of the contract and has to be repaired. Not being able to supply or deliver the product through a direct marketing system is another breach of contract. Compromising quality is yet another.

Conversely, fulfillment of the contract builds trust in your brand. Trust creates loyalty, which in itself starts off a process of gaining new customers on a continuous basis.

On the relevance dimension

Market share: This measure lets you have a clear picture of the number of customers or usage of your brand in comparison with competition.

Purchase frequency: This measure lets you have the number of times your customers buy your brand. Your objective becomes, "how can I have these customers buy more every time they buy?

Customer satisfaction: This provides a rating on the degree of satisfaction with your brand. It also shows you how much willing customers are to stick to your brand.

Brand-driven penetration: You use this measure on line and brand extensions. It basically tells you how many of your existing customers have chosen to buy products and services that are an extension of your existing brand. It confirms or does not confirm the extendibility of your brand by giving you a proof of to what extent your customers are willing to go with you on your extensions. In other words, it is a measure of how rational you are in devising your product strategies.

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Quality perception: It is a measure of satisfaction with your brand; it shows quality comparisons with competitors on scales such as

- High quality vs. shoddy quality
- Best in the category
- Consistent quality

Brand-driven customer acquisition: This measure reflects the number of customers that you have gained in comparison with some preceding period. This could be one year. The difference between two numbers (if positive) is additional, new customers.

To determine the additional customers is not as difficult as it may sound. If you are selling consumer durables like TVs, it is pretty much straightforward. The findings can be very interesting from the standpoint of branding strategies that you have employed.

If you are selling consumables in big quantities, it may be a little more challenging but not outright impossible. Being the brand and sales managers, you people can draw certain bases of consumption in relation to population served. You can then ascribe increased consumption to additional customers based on those bases. The basis of consumption can be per person, per family of a predetermined number of members to it.

The measure does not end at determining new, additional customers. The challenging part of the measure is to determine, through the questions to respondents, what drives them to make buying decisions they make and what is it that is making them leave your brand and for what reasons? Such findings are the most fascinating part of this measure.

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Lesson 40

BRAND DYNAMICS

Introduction

With the understanding of measures on the first two dimensions, that is, differentiation and relevance, this lecture continues with the discussion on measures of variants of the remaining two dimensions, esteem and knowledge[1].

On the dimension of esteem

Customer loyalty: This shows how consistent customers are in buying your brand, how long they have been buying and how long they may buy? This measure should tell you the number of customers that you would have lost had you not had the branding strategies. This also tells you that the customers who did not leave your brand are loyal customers.

You ask your customers what other brands they considered before finally deciding to stick to your brand. You can find out the competitive brands that entered your customers' decision-set. The next question should clarify why they stuck to your brand after considering competition and then discarding it.

You will get yet another testimony to your product's quality and branding strategies.

Price premium/Financial brand value: This shows you why your customers are willing to pay you a premium over your competitors or a price that offers you good, attractive margin. This also is an important measure in determining the right price premium for your brand.

You compare the price of your brand with your immediate competition and determine to what extent you can further go up in price, thus following the market-based pricing mechanism.

The measure gives you insights into

- Going for the right premium
- Adjusting your pricing upwards, even if you do not charge a premium, to ensure you have the right margins.
- Cutting your costs wherever you can to improve your margins

Lifetime value of a customer: It lets you have your loyal customer's lifetime worth in terms of your brand's purchasing.

On the dimension of knowledge

Positioning understanding: This measure tells you to what extent customers understand the way you have positioned your brand. Any gaps between your message and understanding of the target market will raise questions for correction.

A similarity of message and reception of it by the market is a testimony to the right positioning and, hence, leveraging of the brand.

It is one of the most important measures for the simple reason that differentiation and segmentation come to life if a position is rightly occupied in the minds of your consumers. To what extent customers understand your positioning and own it tells you the level of success that you have achieved from your branding effort.

If you positioned your brand from the taste and quality platform, then it has to be perceived so in the market.

Conversely, if it is perceived more as a price-friendly brand, then the perception needs to be changed. This perception may hinder your efforts to go for a price increase; for customers may take it for granted that your price will never be out of their perception range. That will be a big

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constraint for you. If, however, the right positioning is taking hold, then you will be free of that constraint and can charge a premium or a price that offers a high level of margin.
There is a straight line relationship between quality perception and premium pricing. Perception of high quality and taste will also enable you to make your customers stick to your brand and attract new customers through referrals.
In short, a complete understanding on part of the customers about your brand's inner core and character testifies that your position is well understood by them.

Referral index: It pinpoints the potential to create new business/customers owing to referrals by satisfied and loyal customers on the basis of their knowledge of the brand.

The importance of measures

The importance of such measures comes to the surface under two sets of circumstances:

- In adversity, when sales start slipping, market share eroding and management having no choice but making desperate decisions as quick fixes.
- In less difficult conditions, where brand's potential is not being fully harnessed, leaving much to be desired. You realize this mostly in hindsight.

According to experts, these measures along with financial measures create a balanced method of measuring a brand's performance. The challenge therefore is to use these measures to supplement the financial measures. *However, it is not important to go for all the measures that are discussed.* You can pick a few that are relevant to your strategic situation and then see with confidence that your brand is moving the way it was planned. If not, then make relevant changes before damage is done.
Such an approach ensures that brand building efforts are not compromised and you can:

1. Maintain your brand position – an extremely important dimension that drives all marketing strategies.
2. Preempt most of the damages that could be caused by not addressing the strategic factors.
3. Further consolidate your brand position by ensuring that all brand strategies are taking hold.
4. Stay focused in maintaining your brand picture. It helps you eliminate any gaps between the picture you have created and the actual image.
5. Determine the impact of your strategies on retaining loyal customers. Loyal customers give referrals of your brand to others and create more customers.
6. Use the result of your branding efforts toward creating new customers, creating new extensions.
7. Achieve an overall picture of the qualitative returns you are getting on the money you are investing into brand-building.

Summary

Measuring performance of your brand means you are managing your brand right. Measurement comes in the form of your monthly, quarterly, and annual returns on investments and revenues, but it has to be supplemented with *measurements of your strategies*.
Strategies cause financial results and therefore must be measured to see if there are any changes required toward tactical adjustments. The need for tactical adjustments keeps you alert and timely action ensures that the financial results that you are posting continue improving.
A time may come when financial results take a turn for the negative if strategies are left to chance and you lose control of their implications. The strategic implications are demonstrated in four different macro dimensions, that is, differentiation, relevance, esteem, and knowledge.

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These dimensions translate themselves into so many different variants (offshoot) that allow us an opportunity to measure them and see whether or not we are on the right path. If we are not, then we make adjustments and the process goes on.

There could be so many different measures. You should not always follow a rigid checklist of measures. Be sensitive to variables that affect your results and strategies under a particular set of circumstances. Relating those variables with your circumstances, you should decide which measures to go for – market share, loyalty, pricing, brand image recognition, positioning or any other?

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Lesson 41

BRAND – BASED ORGANIZATION

Introduction

Leveraging your brand through successive phases of brand management dictates that you have an organization capable of doing so. Without compatible capabilities, an organization cannot reap the benefits of brand management concepts in the form of fulfillment of its goals. This lecture discusses all important aspects from that point of view. It follows the guidelines as given by Scot Davis.

A brand-based organization

A brand-based organization is customer-centric, and all the decisions it makes are based on involvement of all in the organization.

The basic premise toward developing such an organization is that branding decisions, though belonging to the marketing domain, should be based on cross-functional interaction and involvement of all the relevant departments. In order to do so, there has to be a mechanism to ensure that cross-functional involvement becomes a structured activity within the organization. Managers from different departments should make many decisions after consulting each other.

With the thrust on creating a mechanism of joint working and decision making, in essence, it lays emphasis on understanding everyone's perspective and appreciating their convictions. A complete and uniform understanding on part of all develops and nurtures uniform convictions for the good of the organization and its brands. In other words, just meeting and making decisions is not sufficient. Managers from across the lines should be convinced that whatever decisions are taken have been the best ones in the interest of the brand.

Benefits

Clarity of role: All employees are clearer about how they fit into the overall scheme of things, their role, role's importance, significance of relationships and interactions. This improves their performance and performance measurement becomes easy and straightforward.

Commitment to brand growth: It confirms that customer, company staff, and the brand are all inseparably related and need focus of all. Toward that, it seeks commitment of top management to the branding process. The process of living such an organization is continuous in which there is perpetual communication, development of ideas, thoughts, and actions. This can be witnessed in any organization with a strong brand. You must have noticed the pride that employees take in being a part of such organizations. The pride comes through a sense of ownership not only of the brand, but also of all thoughts, plans, and actions relating that brand.

A collective responsibility: Such a culture binds all in the organization around the position of the brand, which no longer remains a creative philosophy of the marketing department. Delivering on the promise becomes a collective responsibility and the whole focus gets onto the point that while customers think of satisfying their need they must think of your brand. Your brand must be the first one to come to their mind. This is where positioning comes to life – an excellent example of everyone's input toward that achievement!

Such a culture is a reflection of high level of motivation that runs across the organization and makes implementation of brand-based strategies a guaranteed success, according to Davis.

No extra human resource

The brand-based approach does not call for extra personnel. It derives the desired outcome through the same people that make up the organization through restructured working groups

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and committees. How do these groups and committees organize themselves around the brand is what we must learn?

Not just marketing but whole culture

One thing is clear that it is not just about marketing; it is about creating a culture that must support brand's positioning and brand's promise – two vital strategic dimensions. To be able to deliver the promise, all processes, functions, and resources have to be integrated and reinforced. This has to be done at the top most level and is done through formation of different committees.

Management has to believe in the power of the brand and that brand has to be managed across many functions is the chief principle of this philosophy. In organizations that have been successful in this kind of effort, the committee responsible for managing brand from the standpoint of increasing its value is headed by the head of marketing. The committee is represented by people from operations, R&D, and other senior managers who head other functional areas. A lot of investment is done into developing new entrants into management to impart brand knowledge and commitments. The result is total "executive support" toward delivering the brand promise.

Possible new entities and internal structuring

With the view that brand management strategy is good for long term health of the brand and the company, the organizational support to such strategies is to be given at the top. Following are a few examples of the new internal structures to carry out winning BM strategies[2]:

> *Chief Branding Officer – CBO:* Either the head of marketing department or a major brand, this person is responsible for the brand strategy and its implementation, meaning for complete performance of the brand.
>
> *BM Steering Committee:* This relates strategy and it has to be headed by the CEO. If there is a CBO, then he or she may head this committee. This committee is responsible for developing all linkages between all functional strategies and BM strategy.
> Since all strategies flow out of brand vision and must work in harmony for the same goals, there has to be someone making sure that right linkages are developed to get results and add value to the brand. The head therefore has to be a very senior person, preferably CEO or at least CBO.
>
> *BM director's committee:* This comprises of managers from middle to senior level with CBO being its head. The basic function of this committee is to ensure that BM is executed the way it was planned. From the standpoint of execution, this committee also is multi-functional in its constitution. Whereas steering committee is all about strategy, this one is all about actions.
>
> *BM teams:* These teams are also cross-functional and work at a level below that of director's committee. The function here is to ensure action at lower level. It is headed by someone from the marketing department, most probably brand manager.

There is no one established recipe for developing internal structures. It all depends on the overall structure and human resource of the company that lays the foundation for a brand-based organization. The most important aspect of the effort is to develop working relationships that have authenticity and legitimacy.

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Cross-functional approach

Such relationships are possible only through developing a cross-functional (CF) approach that lends BM real strength and power. All good companies depend on cross-functional team representation. That drives brand management strategies with full vigor and thrust.

The CF teams work as a good link with their original functional areas and therefore offer good opportunities for educating people there. Some of the benefits of having these CF teams are that they provide good input for any brand project from their functional standpoint. Example: people from information technology side may point out something that has the potential to positively change marketing tactics in terms of order processing. People from finance may point out something that has a meaningful impact on pricing strategy and hence margins!

CF teams lead the education and training effort in the most practical way on strategic matters that have a direct bearing on BM strategies.

Internal communication and education

The matter does not end at formation of committees. Once the strategy is in place and committees formed for execution, it becomes imperative to start communicating for the purpose of educating employees at different levels and functions of the organization. Without communication, education is difficult, and without education results remain improbable. The ultimate objective of the brand-based education is to create a culture in which brand vision is understood, brand picture upheld, and brand positioning fully owned.

There could be a variety of approaches toward education regarding brand promise and positioning. Some of the approaches adopted by good companies are the following[3]:

- Internal groups focusing on education through lectures
- Company publications
- Speaker series by outside experts about their experiences
- Interactive training modules in which knowledge is imparted on segmentation, differentiation, promise, and positioning etc.

The idea of all the training and education programs is to learn the concepts and then immediately apply those to real life situations within their areas. Some companies also measure internally the brand perception of their own staff members and then compare that with the brand perception of customers in the market place. The gaps highlight areas to be stressed in terms of training and education. The interaction with staff under such conditions really help the company make their staff understand brand positioning, which is the key to successful BM.

Tools to effective communication

1. Let the employees know the research

   It may not be a bad idea to let the employees know how the company arrived at the brand vision, brand picture, brand positioning, and the overall brand-based customer model. Letting them know how competition stacks up against your brand and what are the customer expectations from your brand (as per research findings) will buy them in to the strategic thinking of the company.

   Letting them also know the overall objectives the company is expecting to achieve will win over their confidence in the company and the project for the good of BM strategies.

   Lack of confidence and cooperation from other functional areas always is caused by the thinking on their part that marketing and branding people are attempting to do creative things in isolation. No one likes that.

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2. Make sure the employees understand the results company is seeking
   As a continuation of the attempt to let them know overall objectives, you must make them understand the results that are expected. Gain their support for those parts of the objectives that fall into their respective areas. To achieve that, break objectives into different levels and involve the CF teams to fix those for people in their respective areas. Let them have a sense of ownership.

3. Let the employees know game and action plan
   Employees also have to be guided about what actions they are to take in light of the strategies. Tell them specifically any changes that are desired in their daily routines and activities. Educate them on any new activities that are required on their part to deliver the promise and uphold the contract. Give them targets and measure their performance against those targets.

Summary

There are two important concluding dimensions of the brand-based culture:

- **Commitment of top management to take charge and lead.**
- **Total involvement of employees all across the organization toward common goals.**

Unless management educates the employees about the importance of brand-based culture and the results it produces in leveraging your brand, participation by employees will not be meaningful.

Once employees are bought into management's ideas and concepts and take ownership of them, you will start harnessing the real potential of your brand in terms of revenue generation and profit making.

To be a successful brand manager, you must appreciate the inputs you will be required to make and inputs made by others from all levels of the organization.

Suggested readings:

1. *Scot M. Davis: "Brand Asset Management – Driving Profitable Growth through Your Brand"; Jossey-Bass, a Wiley Imprint (229-251)*

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Lesson 42

SERVICE BRANDS

Introduction

The emphasis of this lecture is on the nature of service brands and application of brand management concepts to them.

Service Brands

Service brands are finding out very fast similarities involved in the branding process with that of tangible product brands. There is not much difference in developing a service product and then leveraging it as a brand; may that be a banking product, insurance product, one by a car rental company, or a courier service.

You develop brand picture, brand contract, create a position for it, and then communicate that position from the standpoint of differentiation and segmentation. All service businesses are getting convinced by one fact that they already are into a branding age and, therefore, having a distinction and differentiation of their products with that of competition is the only way to keep them different from the rest of the crowd.

With the exception of banking, insurance, and certain computer services, most of the businesses are a combination of tangible products and intangible services. Even manufacturers provide services like after-sales etc. Taking a look at restaurants, car rentals, airline tickets, and other travel services explains the phenomenon. There is a physical product that you use or come into contact with because that is what you pay for; the rest is service.

We, however, are dealing with the service element that is intangible and want to see what is it that should be done to brand that element.

The difference

There are four elements that really set services apart from other tangible products. Those are:

- *Intangibility:* You cannot see a service. It cannot be felt and touched.
- *Perish ability:* You cannot store services like inventory items. Seats not sold are lost for ever.
- *Inseparability:* You cannot separate a service from a product. Service is sold right at the time of delivery. Service therefore is the product.
- *Variability:* Services are offered by people who vary in temperament, behavior, and values. The same service offered at a different time or place can vary from the other.

The above elements imply that:

1. Marketing and operational areas in a service firm are more closely intertwined than they are in a manufacturing concern – restaurants and banks are perfect examples.
2. The core values of a brand must be understood by all through internal marketing to be able to build the brand on a consistent basis.

For both implications, the staff or people responsible for delivery have to know what they are delivering. However, there are certain problems with service selling, which make it a hard area of selling:

Hard side of service selling

1. *Services can be copied easily:* Because of this factor, businesses find it very hard as to how to differentiate. You will agree that differentiation through different physical features is easy to demonstrate than through something that does not have tangible features.

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2. Services are hard to summarize and communicate: Expressing the core of a service brand is a lot more difficult than that of a tangible product brand. Tangible products can be shown and explained, whereas the intangibility of service products does not offer this ease to itself.
   It is because of the difficulty of expression that service brands generally have slogans. The attempt is made to communicate the inner core of the brand through an outward expression. The expression may be very appropriate and may not be in certain cases. It is a real challenge! "*We serve with a smile*" and "*This is where you feel secure*" are examples of slogans.

3. Quality is hard to evaluate: Services cannot be laid side by side like products sit on the retail shelves. This offers the difficulty of comparison for buyers and communication for sellers. It also offers buyers the problem of not being able to judge the value for their money. This further leads to pricing problem on part of the sellers.

4. Standardization is difficult: Because of the involvement of the human factor, standardization into routines and procedures becomes difficult while you sell services. The paradox comes to the surface while a service is delivered by a highly motivated person who is also empowered.
   The moment you prescribe procedures that seem to carry away or diminish empowerment, it affects the level of motivation of that person and, hence, the quality of service. Imposition of controls therefore brings in the conflict between motivation and empowerment and that breeds contradiction[1].

5. No inventories: Unlike tangible products that can be stored in view of fluctuating demand for different seasons; services cannot be stored.
   Lack of responsiveness to customers during peak times is a renowned problem that must be faced and handled by services. Examples are utility bill deposits at banks and long queues at retail stores during EID shopping. Service sellers have to either hire extra staff or do something more ingenious to cope with such situations.

Solutions

In order to overcome these problems, we have to look at the ways and means toward brand building of service products. Why do two couriers offering overnight delivery service anywhere in the country charge differently? In our national market, the strongest brand (TCS) charges about 20-25% more as compared to many of its competitors. The one charging more is definitely a strong brand.

This exemplifies that problems are solvable and there are tools and techniques to the problems.

1. *Capitalize on additional elements:* It is not that the service setup is full of handicaps. It also has some extra elements which if exploited sensibly add value to the brand and can leverage it to phenomenal heights.
   Apart from the "four Ps" of marketing mix, the three additional elements of service brands are ***people***, ***process***, and ***physical evidence***. Well trained people are the real assets of the company. Take the example of the courier company that you think is the largest in the country - TCS. It is the people who have made it what it is. Through their service, they have assured the target market of delivery of the product's contract. That testifies perfect handling of the service they sell.
   If people in that company are so well trained and deliver perfectly, then that must owe to what the management has turned into a well structured process. It is the meshing of

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the two elements in a way that the paradox of empowerment and motivation is also taken care of.

Another example is airlines giving personalized service to their passengers in terms of food of their choice. If passengers have a strong perception that this airline will not breach the contract and deliver on the promise, it is a test that the airline is using its people and the process to its best.

The airline is able to do that because of having a process backed by contemporary technology. This not only strengthens its data bank of passengers, but also highlights their socio-cultural background, a piece of information that leverages brand-building efforts.

Getting back to the example of the courier TCS, we must take a look at the physical evidence that that company has in the form of their collection points (offices). Remember, in services, pure or hybrid, the physical evidence carries weight of unlimited proportions.

An appearance of the office, the staff, and other manifestations of standardized nature enhance the image in your eyes of the brand. It is that appearance in evidence with which you and I develop emotional relationships.

Think of a fast food company just delivering out of its kitchen food at your doorstep versus another company doing the same but also having restaurants here and there. You will definitely develop emotional ties with the latter which has its presence through physical evidence also.

The need to be savvy at the décor and other elements of the physical existence takes on very important dimensions.

2. *Innovate continuously:* Since services can be copied easily with not as great an investment as that in a manufacturing concern, the only options but very credible ones are that you:
   - Maintain **differentiation** of delivery (in cases like fast food and courier service)
   - Carry out continuous **innovation** of products to stay ahead of competition (in cases of banking and insurance consumer products and travel and logistical services)

   Toward brand-building effort, companies have got to invest into human resource that can give practical shape to both the options.

   In order to achieve that, brand managers should approach the effort in just about the same way as they would for tangible products. A brand-based customer model should be developed.

3. *Improve distribution:* Just like in case of tangible products, the markets of services also require effective distribution and outreach. Just look at the banking industry. To be able to penetrate the markets, they have to have meaningful presence in all areas. The more the areas covered, the higher the sales. Today's consumer banking is very customer-centric and product models are customer-based. From personal credits to credit cards to deposits to car financing and the like, banks are into a real marketing mode. Their mission is all about fulfilling customer needs. Needs have a better chance to be fulfilled if services are sold closer to points of customers' preference. Any bank with thin presence should not hope for a big share of the market.

   Insurance industry in our country is not as developed as banks, because it has not paid due attention to the retail side of business. It has been focused on big accounts, that is,

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industries and other big businesses. The retail side has as much potential as the corporate side carries. The answer lies in prioritizing their strategic moves.

4. *Make the brand tangible:* The effort should be towards making the service tangible. This can be done by keeping the premises through which the service is delivered very standardized having a striking uniqueness. This is very closely related to the physical evidence phenomenon as well as communicating your position.
   The attributes of service can be summed up on positioning. You can see that in advertising campaigns of airlines through which the businesses attempt to highlight their positioning of hospitality. The element of tangibility along with the summing up of the main attribute on positioning differentiates the brand and stimulates sales.

5. *Use testimonials:* Those services that cannot be easily summed up on positioning – unlike showing an umbrella for an insurance product or hospitality reflected by an airline's airhostess – should be communicated with the help of testimonials, that is, a celebrity talking about the benefits the service provides. Nothing gives credibility to service benefits more than having a celebrity endorsing the company's claim.
   It goes without saying that the claim has got to be very consistent with positioning and the brand contract. Endorsement works best when the promise is perceived deliverable.

6. *Develop a continuing relationship:* The importance of this factor takes on added importance when it comes to selling services. In most of the cases of service selling, the data about customers is maintained and updated. This is an advantage that service selling offers businesses. What is an imperative becomes easy to maintain. Customers have got to be cultivated. A continuous touch with them enables the company
   - To communicate any new product developments and quality initiatives.
   - To measure brand dynamics on different dimensions that tell you the return on brand investment.
   - To maintain customer loyalty toward your brand.

7. *Manage consumers:* This refers to improving the process to preempt any negative situations that arise out of fluctuating demand in service. Supermarkets and general stores have to keep an allowance for serving their customers efficiently during high sales periods. The inability to do so turns the positive situation into a negative one.

8. *Industrialize the service:* This boils down to setting overall systems and procedures and their implementation at every point of sale that you have. You must control all the variables by way of standardizing them and then training people to handle those in a very consistent and mechanical way. A consistent output according to standard operating procedures "SOPs" guarantees quality service. Examples are fast food restaurants and courier services. McDonald's is a classical example of industrializing the service. A burger is made in exactly the same way and in as much the time in Karachi as it takes in Kuala Lumpur.
   Standard procedures ensure a balance between motivation and empowerment.

9. *Select and train staff carefully:* To be able to recruit and then train staff according to the mission of the company and the vision of the brand is a hard task. Once recruited, the staff members must gain full understanding of the service they are to deliver. This understanding calls for complete desire, honest intention, passionate inspiration, and

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engagement in terms of delivering the service. Major airlines are an example of this phenomenon.

There are companies that offer incentives not on improved sales, but on feedback of improved service. Such a feedback is possible only if the company has a mechanism to gauge the brand dynamics, i.e. have the models in place to measure the service or brand performance on different strategic dimensions. Such measures tell you customer satisfaction and their loyalty.

Summary

Branding is penetrating the service selling areas very fast. Service businesses have a growing realization on their part of the importance of brand management. The principles are no different when it comes to leveraging a service brand. Managers, however, have to be sensitive to the additional elements of people, processes, and physical evidence to make their services distinctive and differentiated. These elements offer opportunities to compensate for the inherent drawbacks in service selling. If capitalized in a sensible way, these elements lay the foundation for real leveraging of the brand.

Suggested readings:

1. *Geoffrey Randall: "Branding – A Practical Guide to Planning Your Strategy", Kogan Page (92-100)*

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Lesson 43

BRAND PLANNING

Introduction

After having learnt all the successive steps involved in leveraging the brand, we should now be able to plan a new brand or refresh an existing one. We are going to learn that in the following three parts:

1. Corporate strategy and brands. This deals with how brands should be treated at the highest level.
2. The planning process consisting of all the elements that must be considered before introducing a brand. These elements stem from the successive steps that we have learnt in terms of leveraging the brand – the whole brand management process.
3. The actual written document or the brand plan, a template that you can use for introducing any brand, a tangible product or an intangible service product brand.

The planning process applies equally well to introducing a new brand or refreshing an existing one. This lecture along with the remaining two deals with the above-mentioned three parts of brand strategy and planning.

Corporate strategy and brands

You must know that reappraising an existing brand involves a process as systematic and exhaustive as introducing a new brand. Both involve challenging any preconceptions and assumptions, giving weight to the fact that both have to be handled according to a strategy. Strategy for brand development or reappraisal has got to be at the center of the corporate strategy.

Two fundamental elements of strategy

Many corporations are following this in practice, while others are just talking about the significance of it, but not following the concept in letter and spirit. Proceeding with brand planning, the management as a matter of strategy *must agree* on the two following elements:

- The definition of brand essence or the brand model
- The brand architecture

Out of these elements flows the strategic planning process for a new brand or an existing one.

***Brand essence**:* This necessitates top management's clarity about the essence of the brand, which is at the core of the four brand dimensions. Refer to lecture 3. Clarity about four dimensions of brands, that is, the functions, the aspects of differentiation, the aims and values of the brand, and the personality and imagery are of utmost importance.

Subsequent to clarity is the step that demands total consensus among all about the brand model. This agreement is evident of the fact that all dimensions have been critically appraised and therefore the need for the brand to appear on the market is based on rational logic.

***Brand architecture**:* The management must also be clear about how the new entry is going to fit into its existing portfolio of brands. This takes us back to discussion on brand-product relationship and branding strategies (product brand strategy, line brand strategy, umbrella, source, or endorsing etc.) meaning the brand architecture, as discussed in lectures 27 and 28.

Agreement on the two strategic elements (essence and architecture) must be communicated to all who are going to contribute to achievement of results in one way or the other. This implies all in the company should be in the picture. The committees we discussed under the topic of

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brand-based culture are the true representatives of all in the company. The advantages of this approach are self-evident.

Internal communication to make fundamental elements work successfully

The internal communication is important from the point of view of making sure that strategy implementation takes place the way it was planned. Many of the market failures take place not because of a bad strategy but due to the inability to execute the tactical framework translated from the strategy.

The failure of implementation/execution is a direct consequence, in many cases, of a lack of coordination and understanding that inflicts the companies due to a lack of effective internal communication and marketing.

Internal marketing is essential for tangible product brands as well as for service brands. Both types of products are delivered through a cross-functional team effort. As such, very meaningful communication among all of them is of paramount importance.

Brand chartering

The essence of internal communication is highlighted through the concept of brand chartering. It basically seeks consensus among all concerned on detailed strategic definition and objectives of the brand.

Through this technique, internal workshop consisting of all those high-ups among the top management who have the clarity of the two strategic elements discussed above is arranged. In this workshop, some important questions of strategic importance are asked. Some of the questions resemble the following:

1. What kind of values customers and consumers will miss if this brand was not to be launched, or was not there?
   - The discussion on this kind of question brings to the surface the level of uniformed interpretation by all from across functions, especially in relation to brand identity. You will recall that brand identity is coined by one or two major values; those values must form the inner core of the product and feed the brand that expresses itself through its outer manifestations[1].
   - A brand of mineral water may value your "health and well being"; a car brand may value that you "enjoy the ride" and hence give the product a high level of thoroughness and quality both forming the core value that "you must enjoy".
2. Does this brand offer high class quality and value?
3. Is communication (for the existing brand or the planned one) integrated and leverages the brand?
4. Is distribution of the brand up to the mark? Is it better than competition or not?
5. Do all the departments share understanding on all opportunities and risks involved with this brand? A good understanding eliminates the possibility of finger pointing in case of problems with brand movement. Also, it harnesses company's ability to fully capitalize and leverage all available opportunities.
6. What core competencies are involved to make this brand successful? Do we have those? Core competencies, in very plain terms, relate quality of human resource having the ability to produce the requisite quality, keep operating costs down, and producing higher margins, thus keeping the company apart from the rest of the crowd. As a strategic matter, does the company have the ability to go into
   - Differentiation through a set of factors – product features, cost controls, value for money, a wider range, and a superior service?

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- Ability to develop requisite skills to achieve the above-mentioned factors of differentiation?
- Insulate itself from competition and sustain the competitive advantage?

This approach of "brand chartering" or a similar method should be employed to see how people share understanding. Once the answers to all questions are found to be positive, an understanding is reached. ***Once reached, this understanding should be communicated to all in the organization as a brief statement stating what is shared***.
This undoubtedly creates a sense of ownership for the brand and leverages it to the point the brand deserves. With this, our understanding about the first part of brand strategy as to how a brand should be treated at the highest level and how it seeks a confirmation of its legitimacy is complete.

We now proceed to the second part that deals with actual brand planning.

Brand planning process

The process consists of the following three major steps:

- Market definition
- Market Analysis
- Brand Analysis

All three are further made up of different concepts that we have learnt about brand management during this course. While going through this process, we will get a feeling of revising the whole course relating those concepts.

Market definition: The first step is to define the market from customer's point of view. You must state in few words what kinds of needs the market fulfills. The definition should not be tailored for different purposes and different time-scales. It should state all purposes fulfilled and time-scales served.

For example, if you want to introduce a drink, you may consider the market of all kinds of drinks as thirst quenchers. This will include all cold drinks (cola and un-cola), juices, energy drinks, squashes, and even drinking water etc.

You may, however, define just one segment of your concern for the time being with the understanding to include others at a later stage. Your choice should stem from your strategic considerations at any given point in time. You may like to talk about your direct competitors and the attributes of competing products that have a competing posture for your brand.

Make no mistake that you confirm the legitimacy of your considerations through brand chartering and not whims or personal preferences.

You may also like to talk about whether the market is growing fast, just stable, or declining. The stage of the market growth cycle is going to have an impact on your brand's movement.

Market analysis: You must have complete understanding who your *buyers* are and how they constitute the market in terms of demographics. A complete understanding of their profile, how much quantities they generally use, how does the brand fit into their lives, what problems it solves, and what value it generates for them must form part of the planning process?

An understanding of your immediate segment in relation to other segments forming the market is of crucial importance to brand planning. You must define various segments, because this definition of yours is going to translate into your efforts to extend the range

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into those segments. Therefore, you must mention various segments in your plan. You may recall different segments of interest to company XYZ of sandwiches.

You may also like to consider those changing trends that may have the potential to create new segments in the near future. The ability to spot growth of new segments will keep you pro-active and preemptive in your strategic moves.

You must consider who your major competitors are and what is the level of threat each one poses to your brand? Your focus on competitors is almost as important as on consumers. In the market place you cannot operate in a vacuum. The moves of your competitors will always keep you active in considering the changes and improvements in yours. You must take into account the competitive advantages in relation to your own and competitors' brands, and strengths and weaknesses of all major players.

You need to decide which channels are to be used in view of the outreach needed for your brand. Distribution of products, may those be tangible products or intangible services, is the priority of any business to be successful.

The objective is to reach the ultimate consumers in the most cost-effective and delivery-efficient way. For that you need to establish whether it is going to be the market norm, or some ingenious method of distribution.

Drivers of change

What are the basic *drivers* that influence market make-up and competitive adjustments must be considered. The most dominant forces are known as the driving forces that induce changes common to most industries. Some of the drivers are:

Changes in long-term industry growth: The shift in industrial growth – upward or downward – is a force that needs to be studied and analyzed. What is it that is causing that shift – meaning the driver?

Is there going to be entry of new players as growth takes place or is there going to be a shake-out because of industry becoming over-supplied? Is it that existing ones are expanding their capacities – motorbikes and cars in Pakistan? What need to be studied are the repercussions of the driving forces on the brand strategy?

The shift definitely has its implication in terms of production capacity, market demand, changing advertising and promotional tactics, and improved distribution systems.

Changes in who buy the product and how they use it: Usage of the product can undergo a tremendous change because of changing economic conditions. An example could be about ready-to-eat chicken portions intended as snacks. Is it that the target market is using those as snacks? If the market is using those also as main breakfast and other meals, then changing habits are drivers.

Suggested readings:

1. *Geoffrey Randall: "Branding – A Practical Guide to Planning Your Strategy", Kogan Page (135-146)*

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Lesson 44

BRAND PLANNING PROCESS

Introduction

This lecture is a continuation of the remaining part of the second step of brand planning process, market analysis. This step will make way for the third one, brand analysis, which sets the stage for the actual brand plan.

Driver for change (continued)

Product innovation: This aspect can be a major driving force if manufacturers undertake innovations very frequently and make the market and industry grow faster. A faster growth generally is a function of a wider degree of differentiation. This reforms customers' perception about a reformed category. Japanese electronics industry has been demonstrating this phenomenon for decades and still continues to do that. Mobile phones industry is another example.

Market innovations: This driver can again change the market landscape owing to new methods of product delivery and hence cause cost efficiencies, customer-friendly pricing, and efficient deliveries. Growth of courier services in Pakistan is an example. This driver has the potential to drastically change the way products could be distributed.

Entry or exit of firms: At times an entry of a foreign firm into the local market drives the industrial change and dictates competitive adjustment. Their entry may bring the costs down or offer something highly innovative and thus change the landscape.

An eruption can also be staged by a major local enterprise from a different category – a company that may like to extend its brand power into the area you are playing in. That may change the rules of the game if the new player is very resourceful and impacts production and marketing cost structures. You will have to consider making adjustments. It is a challenging situation in which you must be very pragmatic in exploiting your strengths.

Changing lifestyles and attitudes: These are at times real major drivers of a change. You may think of the anti-smoking sentiment almost every where and its impact on the smoke market's strategic thinking and moves.

Growing sensitivities about salt, sugar, and chemical additives have changed manufacturers' way of processing food items. Their communication campaigns essentially talk about what they are not – the positioning concept – for example, they do not contain chemical additives; they are sugar-free; they are low-salt etc.

Increased interest in physical fitness has given rise to a whole new industry and market of exercising machines, mountain bikes, recreation areas and gyms. A whole new market of vitamins and nutrition supplements has come up.

What is important is that shifting social concerns should make marketers more sensitive about changing trends and quick to respond to those trends. Quick responders always seem to take advantage, for they sense the drivers more quickly than others.

Link between driving forces and strategy: There is a very close link between the two. Sound analysis of industry's driving forces is a prerequisite to company's strategy. Unless managers can assess the changes the major drivers will cause in company's business in the foreseeable future – one to three years – they will not be able to craft the right strategy. Therefore, it is a must that managers first can rightly identify the drivers and then their implications for their business to be able to cope with changes.

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Key success factors: Key success factors (KSF) are those abilities that a company can identify and then capitalize on to prosper in the market place. They are also known as critical success factors.

It is those strategic elements like – product attributes, financial and human resources, competencies, competitive capabilities and other business outcomes that spell the difference between profit and loss[1].

Businesses must pay so much attention to those strategic elements that they succeed financially and competitively. *If a business can answer three questions it can easily identify what the key success factors are for its industry:*

1. On what basis customers choose between brands of different sellers?
2. What should a seller do to be competitively successful – what resources and competitive capabilities does it need?
3. What does it take a seller to achieve a sustainable competitive advantage?

KSFs are industry-related. As such, understanding and then capitalizing on them to gain competitive advantage is what is required of good managers. As an example, if one of the KSFs in an industry is to utilize full capacity of the plant to achieve scale economies and sell high volumes, you cannot have a marketing strategy that works best for niche marketing of specialized items. Cigarettes, safety matches, biscuits, and other high volume consumer items are examples of such a market situation.

If you are an apparel manufacturer of fashion garments, your marketing or brand strategy tailored for mass volume garments like T-shirts is going to be at odds with something special that you are doing.

The typical KSF in that case is the ability of the company to have specialist staff good at color selection at the start of every season and designer staff to create fashions. Another KSF will be channels of distribution that can enhance the appeal for you garments. Maybe you would like to have your own stores for that line of garments to create a very coherent strategy that takes care of ***fashion design, a compatible shop décor, and display of those garments.***

Since competition follows fast, you may not be the only one in that line and therefore a manufacturer who follows one or more of the KSFs faster than the others is generally the winner.

KSFs are different for different industries and also keep changing with changes in driving forces and competitive conditions. For example, global economic changes as drivers bring into existence new KSFs that are related to those drivers. If global supply chain brings an industry to Pakistan, then firms within that industry have to be quick in having the right quality of management and labor. Those who happen to be within the industry and can capitalize on those KSFs (good management and labor force) are winners.

Every industry generally has just a few – 2 to 4 – major KSFs. And, mostly just about 1 or 2 outrank the others. There are a whole lot of KSFs in different functional areas of business, let us just talk about a few that will put our understanding in a proper perspective.

- Low-cost production efficiency
- Quality of production
- Access to adequate supply of labor
- Access to quality management and technical expertise
- Strong network of dealers/distributors/wholesalers
- Company-owned stores
- Fast delivery
- Fast customer service
- Attractive styling/packaging

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- Perpetual advertising
- Superior information systems

Think of all the above factors, one by one, as something without which success of your business venture cannot be guaranteed. You will start appreciating the importance of key success factors.

Brand analysis

The point of departure for this stage is the *model* that we discussed earlier.

The brand model: Whether we are dealing with a new brand or an existing one, we must make sure that we are considering all the *dimensions* of the brand correctly.

We must be clear about the brand *essence* and *values*. The core meaning of the brand has to be expressed internally and externally. The *personality* should be such that *imagery* works instantaneously for customers to recognize the *brand identity*. To achieve that, we have to make sure that *communication* media is integrated, working for the same end with a coherent message and campaign.

You must be clear about the place of the brand as part of the *architecture*. There should be no inconsistencies. What is extremely essential at this point is that all these factors are consistent with the market analysis.

Positioning: The definition of the model automatically should take you to the areas of *segmentation* and *differentiation*. You cannot consider brand's essence, core values, identity and personality, and the imagery without taking into consideration the segment you are going to target and the point of difference you are going to offer. These two elements of segmentation and differentiation lay the ground for *positioning*.

In the context of brand planning, you come up with a statement that describes the brand from the point of view of differentiation. The concept is that you position your brand in the mind of the consumer relative to competition in a way that it points out key differences. You create a position that is not yet occupied in the consumer's mind, a position the consumer will own immediately. Positioning in a way is redefinition of the brand.

Objectives: It is here that you start working with numbers in terms of sales volume, revenues, margins, and other financial returns on the brand. This necessitates coming up with sales forecasts as the backbone of all projections and extrapolations that you make.

You rationalize your projections by taking into account competition and hence the total market size to objectively arrive at a level that you think your brand can attain. Existing or a new brand, in both cases you work with pragmatic parameters.

One of the strategic aims here is to project the share of the market that you envisage achieving during the plan period.

Brand picture: This part deals with the creative elements like *brand vision*, *brand's promise*, and *brand's contract*. The most important task here is to see that all the elements look as coherent part of the focused whole. They should be so closely and consistently related at every point that they must look like one organic body, with no foreign part.

To elaborate further, all these strategic elements should revolve around the *essence* and *positioning* of the brand. Delivery of *promises* and upholding of the contract will first legitimize and then strengthen brand's position.

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Products and its variants: You must consider all the range items and sizes by flavors, ingredients, recipes or whatever way the product is ranged. You must consider all that is learnt about *range* and *brand extension*. You must keep into consideration utility of different sizes meant for who, when, what, and where aspects.
The considerations must center on the strategic elements of *promise* and *contract*. Any distancing between the two is going to make the plan incoherent, disjointed, and illogical.

Name: Despite having different and divergent opinions on the importance of name or the lack of it, you should opt for a name that expresses brand's position and enhances its *identity*. It preferably should not be too general unable to evoke right *imagery*, and at the same time not too narrow unable to offer you the opportunity of *extension* in future.

Packaging: This should highlight brand's personality and leave a mark on the consumer. The utility and usefulness of it should be fully considered; it should "not be overdone" and nor should it give the impression of "much is left to be desired".

Pricing: After having learnt the strategic side of pricing, it is our decision to go for either *cost-plus* pricing or *market-based* pricing. As the logic goes, market-based pricing makes a lot more sense, but then you must know both your customers and competition well. Any pricing strategy, therefore, should be the cornerstone of margins that the company wants to make. Equally important is to maintain the balance between the *margins* and the "value for money" proposition to consumers. Any undue effort to make profits will attract competition.
Last, but not the least, pricing should be linked to the positioning of the product.

Advertising and promotions: To keep your brand into limelight and worthy of recall and recognition, it is important to advertise according to a well thought-through plan. Advertising is an investment and not an expense. It therefore should receive top level support toward brand building. Media selection for the optimal impact is a very delicate and strategic decision. You should work very closely with the agency.
Nonetheless, it also is important for the brand to show the potential of generating a healthy return on that investment. Promotions and other *tools of communication* should also be integrated into the campaign sensibly.

Channel partners: For the simple reason that you are out to not only sell, but also to leverage your brand to the maximum, your decision about what channels to use should be very practical.
One way is to follow the market norm; the other is to think improvements by getting into combinations of different members of the channel. Another way is to get you directly involved into distribution.
The objective is to maximize the outreach and hence availability of your brand by keeping the distribution cost-effective, customer-friendly, and result-optimizing.

Suggested readings:

1. *Thompson and Strickland: "Strategic Management" (95)*

2. *Geoffrey Randall: "Branding – A Practical Guide to Planning Your Strategy", Kogan Page (92-100)*

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Lesson 45

BRAND PLAN

Introduction

In this lecture we move on to the third important part that is the actual brand plan based on our strategy. It is the document that we must prepare as an end result of the market and brand analysis.

The Brand Plan

We have had a good understanding of brand strategy and the elements of brand planning.
The extensive effort of defining the market, analyzing it, and brand planning process must get a way of expression in the document called "the brand plan". We may say that the whole effort is undertaken to prepare this document that records in a structured way planning for the brand.
Since the brand plan is your strategic framework, you must understand the difference between a strategy and tactics.

- A strategy is a long term document that sets a course of action for the foreseeable future. It is a game plan that defines the means to achieve the real objective.
- Tactics is execution. It is all about how you achieve your sales results this year or carry out your campaign etc.

For example, if you think that advertising kicked off by you is found to be boring and hence not very engaging, you may change the ad as a tactic. Your strategy still remains the same.
Every business – large or small, consumer or industrial - should have a written strategy, because it brings the whole marketing program into a sharp focus. The focus enables us to maintain all the vital links and consistencies between different parts of the strategy.
Make no mistake that the whole strategy is concerned about your brand. Therefore, it cannot have parts which do not fit into each other. They must fit like the cogs in a wheel.
If your strategy is well-conceived, well structured and well-written, and your market definition just average, the chances are you will not have to change it every now and then. The elements of a well-constructed, well-written, and well-conceived strategy or a brand plan start appearing on the following page. You may consider all or most of them as part of the template that you use for strategic brand planning. Depending on the nature of the product and the market, you certainly will need to make a few adjustments, but the essence of the document remains the same.

Objectives

Objectives are number-based. You *mention sales figures, revenues, market share, and rate of growth* as you envisage for the number of years the plan period consists of.
Do not talk about numbers that are not achievable. Your figures should show an increase and growth on all fronts every year. The strategic objectives should fit the following criteria:

- They should be very clear – to anyone reading the strategy or the brand plan.
- They should be measurable – at the end of a certain period to the agreement of all.
- They should be achievable.

The objectives reflect your vision to get where you want to get at a future date, taking care of your growth gap. Prepare different tables for sales figures, revenues, and market share etc relating the plan period. The numbers will immediately tell anyone where the company wants to reach by the end of the plan period.

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Need

The most important thing that you can do here is to *state very clearly and factually the need your brand or business is going to fulfill*. You must state why it exists? A genuine need becomes "reason for being" of the brand.

If you cannot state the need clearly in just a few lines, perhaps it is not there. If so, your product will fail. Give the need important dimensions. State how serious is it? How unfilled is it? How long you think is it going to exist?

Serious answers to these questions will bring your thinking into an honest perspective. If you are not convinced by the answers, you either may abandon the plan or make major shifts in the strategic thinking. The more clearly you can state the needs, the more precisely you will fill them.

Source of volume

This section outlines where the volume will come from. This takes into account the segmental size and potential. Any business wanting to grow can grow only through two multiple ways:

- By adding new users
- By getting users to use more

As an example, you may state emphatically that the source of primary volume will come from children of 6-15 years of age. The secondary volume will come from teens. Make an absolute decision how your business can best grow. Your thinking about this is going to affect any further thinking. What you state here has already been translated in numbers as your objectives.

Target audience

The more precise you can be here, the better it is. You must state who you are marketing for? State every thing you know about the target, who they are, why they buy and use, how they make their decisions, and where they buy and get their information etc?

Complete knowledge of the segment you are targeting is a prerequisite to any further plans. *This section is a reflection of your brand-based customer model.* Talk about all the suggested factors, but be precise.

With these four elements of *objectives, need, source of volume,* and *target audience,* you have set the direction for achievable and measurable results desired from a specific target.

You now must outline the strategies responsible for achieving these results. And, these are the strategies that form an important part of the brand plan.

Basic marketing strategy

State the most fundamental framework of your basic marketing thrust. Limit yourself to just a few lines (3 most probably). If you cannot state your strategy in three lines, you do not have one. The following examples of a razor blade system, a dress shirt, and a juice explain this point.

- The basic strategy is to introduce a dramatically improved lubricating strip to give the best possible smooth shave at the lowest possible cost.
- The strategic thrust is toward introduction of the best tailored dress shirt of high quality fabric comparable with any imported brand, at a premium price.
- The basic marketing strategy is to introduce a juice with the minimal traces of sourness at a competitive price.

These are the statements of strategy. In support of these, you may like to mention the key success factors, one by one just to ensure linkages of all strategic requirements. You will not like to have a strategy linked with a factor absolutely beyond your control.

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Positioning strategy

This is a statement of how you wish your product will be perceived by the target audience. You have to make sure that whatever you want occurred in your consumer's mind has to be consistent with your objectives. You mention your positioning statement in the following manner:

- The dress shirt seeks to be perceived as the most contemporary, best crafted shirt on the local market by a local manufacturer.
- The juice seeks to be perceived by the target market as the best quality, best packaged, and least sour juice in the category.

After having stated what the brand seeks to be perceived, you as managers have to work accordingly and very consistently.

Associated sub-strategies

You are going to have a strategy for every facet of your business. All the strategies may not be required in every business, but these generally are the ones you work with.

By the same token, if there are some that you think should be added, do add those as long as they are consistent with the objectives.

Product strategy

You talk about the strategically fundamental elements of the product. Apart from the primary function of the product, you must mention all the promises it is going to deliver.

The set of promises then should be translated into a contract that you think is consistent with your model and market definition.

You must talk about how often the product should be improved and in what direction – content, package, size, or what?

For a new product, you must mention guidelines where concentration is to be given for improvements.

Packaging strategy

This section should cover the functional aspect, the delivery system, and the graphics. It definitely is the domain of personality, identity, and imagery. Brand persona plays an important role here. It is explained with the help of the following example:

If the target market is teenage girls, the package should be designed to fit a teenage hand. The colors should be appealing to the target and totality of graphics should create an impression of something soft, inviting, and caring.

When you pay attention to this aspect, you will find a lot of inconsistencies in many brands. Do not forget to support in a written manner all actions that you want taken. This amounts to explaining reasons, why you are doing what you are doing? By giving explanations you will realize how consistent or inconsistent you are in your effort.

Pricing strategy

Is your pricing based on cost, competition, overall market, or to produce an image? Whatever it is, it has to be consistent with brand's positioning. Support the basis of your pricing decision – market-based or cost-based? Also, state very precisely in a few lines the principles about when to change the price?

Distribution strategy

What is the best place for your consumers to find your product and how will you get it there is going to be the basis of your strategy? State that in a few lines. If there is a part that deals with

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making it cost-effective, do mention that. Cost-effectiveness, however, should not compromise availability.

The communication strategies
Starting with coining the name to communicating it with benefits so that positioning takes hold, you formulate all the relevant strategies.

Naming strategy
State what the name should connote. What are the strategic elements behind that –function, image, or overall positioning, or what?
A statement of this strategy is going to be helpful for a new as well as an existing brand in terms of variations, extensions, and improvements.

Copy strategy
An extremely important and interesting for brand managers, this strategy should be stated in a little detail. You have to remember four things:
First, state the benefit promised to the consumer. Again, this takes you into the realm of promises. You may also like to state this on the package in an attractive way for consumer education and a claim that you deliver the promises.

Second, you must state the support for believing that the promise is true. Who knows when you reach this point you yourself may get into a doubt about your ability to deliver the promise!

Third, state the emotional benefit to the promise. This takes you back into the concept of brand value pyramid. You will know how far up the pyramid your brand really can go.

Fourth and lastly, you must decide the tone of advertising and the personality or character you wish the brand to have.

Media strategy
This states, how you will reach your target consumers with the message. You should be very careful given the diversity and fragmentation of today's media – especially, in terms of TV channels.
State things in broad terms and make plans separately. This takes you back into budget allocations.

Sales promotion strategy
Consumer Promotion: State your objective very clearly in the following terms:

- Are you after trial, re-purchase, loading, increased usage?
- Which sizes are best-promoted? How frequently?
- Will you promote everywhere or regionally?
- Will you schedule for seasonality or holidays?

Trade Promotion

- What is your expectation from trade to help you realize your objectives?
- What kind of deals and incentives you are willing to offer to trade?

Translate all that into numbers and see if those fit into budgetary allocations?

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Merchandising strategy

This deals with how you wish to see your brand at the retail level? What section and where on the shelf? This defines the area of interaction with sales people who are going to help you achieve this objective. *This is a matter to be discussed at the brand-level cross-functional committee.* Knowing the objective, you state the strategy.

The resource strategies

These strategies deal with different kinds of resources that you need to implement your strategies. These strategies also flow out of brand vision, its positioning and management commitment. You, as brand managers, may not make decisions to deploy the requisite resources, but you nonetheless should be clear about the strategic importance of such resources. State everything as part of your strategy and present the draft plan to top management for their consideration.

Management strategy

What human resources are going to be involved in the whole effort? How are they going to be helpful in letting the company achieve its objectives? How will they be guided, motivated, and compensated? State all the factors briefly as part of your strategy.

You have an opportunity to explicitly state the importance of the functioning of various committees we have been talking about as internal marketing effort and also for measuring brand performance.

You may also recall the incentives that we discussed for those with good performance. Good performance is related to brand performance. The whole exercise falls within the areas of cross-functional committees.

Sales strategy

State the importance of making sure that our distribution strategy works well and our sales are registered according to the plan. Any requirements of additional staff or changes have got to be taken into a strategic account. State all the factors as part of the strategy.

External resource strategy

State as part of the strategy the kind of resources to be employed here.

- Market research
- Event management experts
- Other sales promotion experts

Testing strategy

You mention, as your strategy, what kind of testing mechanisms are sound?

- Market research
- Ad research
- Test markets etc.

Conclusion

Not every plan is going to have all these sections. But, the principles are the same. So, some may have additional sections, the need for which is to be ascertained by the brand management people.

Knowing your circumstances and the market situation, you must decide which aspects of the overall brand management process need more attention than others. With the understanding of

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all fundamentals, you now should be the best guide to determine that. Offer value to the consumer, create it for the brand, and make the business profitable!

Good luck!

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