**Datsun Returns: Reviving a Brand**

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**Teaching Note**

**Critical Incident Overview**

Nissan is a Japanese multinational automobile manufacturer headquartered in Yokohama, Japan, and the sixth largest automotive maker in the world. In 2013, Nissan announced that they would be re-launching a former brand name in emerging markets. Instead of developing a new name or using the existing Nissan corporate brand architecture and strategy, executives chose to resurrect the brand name that was previously used in the United States – “Datsun.” A brief history of the creation of the Datsun name is discussed. This critical incident provides students with the decision factors considered with corporate brand and product naming decisions within a global context in the automotive category.

**Research Method**

The information contained in this critical incident was gathered from secondary sources.

**Learning Objectives (LO)**

After reading this critical incident and answering the questions a student should be able to…

* Understand the two most widely used brand architecture models (LO1)
* Understand the most common branding strategies (LO2)
* Analyze the concept of brand equity (LO3)
* Apply the concept of equity as it applies to brand architecture and naming decisions (LO4)

**Application**

This critical incident introduces students to the concept of brand architecture, and provides students with the branding decision factors considered within the automotive category. Students learn conceptual terms and then apply them to Nissan.

The relevant theory and literature that applies in this critical incident is the LOGMAN model. The LOGMAN model, published in the *Journal of Product and Brand Management*, in a 2004 article titled, “The LOGMAN Model: A Logical Brand Management Model.”

This model combined theories and insights from other scholarship on the topic: Kaplan and Norton’s balanced scorecard method, the Boston Consulting Group’s brand value creation method, the path analysis method, the gap analysis method, and the house of quality method.

It proposes an audit of questions that guide brand managers may use in making brand management decisions. This model is particularly useful and practical as brand managers evaluate whether customer perceptions of the company's brand drivers and the external brand drivers are in line with the company's brand objectives. It analyzes the logical consistency of the company's brand policy across multiple customer segments and over time.

Further references are provided in the Reference Section of this teaching note.

This critical incident could be used in Marketing, Marketing Management, International Marketing, Advertising and Public Relations courses either at the undergraduate or graduate level.

**Key Words**

Brands, branding, brand strategy, brand architecture, product strategy, emerging markets

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**Discussion Questions**

1. Define the two primary brand structures used today: *house of brands* and *branded house* and discuss and distinguish between the two different models. Which structure best applies to Nissan? (LO1, LO2)
2. Corporations that organize brands using the *house of brand* structure often use one of two strategies for branding: a *product brand strategy* or an *endorsed brand strategy*. Please define and discuss each strategy in detail. Draw a schematic and provide three statements of rationale that describes the strategy. What is the primary difference between the two strategies? (LO1, LO2)

1. Corporations that organize brands using the *branded house* structure often use one of two strategies for branding: a *master brand* strategy or a *source brand strategy*. Please define and discuss each strategy in detail. Draw a schematic and provide three statements of rationale that describes the strategy. What is the primary difference between the two strategies? (LO1, LO2)
2. Describe the concept of brand equity. The five categories of assets that underlie brand equity discussed in the case are: brand loyalty, name awareness, perceived quality, brand associations in addition to quality, and other proprietary assets. Please describe each as it might apply to re-launching the Datsun name. Discuss the role of assets and skills that relate to brand equity. (LO3)
3. How important of a role do you think the concept of brand equity played in the decision to re-launch the Datsun brand? Discuss how brand equity creates value to customers in the automotive category. (LO3)
4. Apply the five general approaches to assessing the value of brand mentioned in the critical incident. How do you think Nissan assessed the value of the Datsun brand and what might they have considered in each approach? Why did Nissan decide to revive the Datsun name? Why not create a new name? What are the advantages and disadvantages of this branding strategy? (LO4)

**Answers to Discussion Questions**

1. Define the two primary brand structures used today: *House of Brands* and *Branded House* and discuss and distinguish between the two different models. (LO1, LO2)

*House of Brands Architecture*

The *House of Brands* is defined as a structure in which a parent company is home to multiple distinct brands. In a house of brands, the individual brands are more widely recognized than the overarching brand or company. In this structure, the company name is not directly identified with the brand. Instead, the product names drive purchases.

With a house of brands, while consumers may recognize the name of the company, the various products or sub-brands are generally better known. Each individual brand has its own unique identity, while the brand identity of the parent company is virtually invisible to the consumer.

For example, Procter & Gamble is a Corporation that uses a *house of brand* structure with Ivory, and Crest. Fashion companies also tend to prefer this strategy. Many consumers may not realize Dior, Donna Karan, Fendi, Givanchy, Marc Jacobs and Thomas Pink are all owned by LVHM. Swatch Group has also acquired multiple watch brands such as Breguet, Omega, Rado, Tissot, Hamilton and others.

The advantage of the house of brand structure is that this model offers a company greater freedom in developing diverse and unique brand identities for different business or consumer segments. Each individual brand may operate independently of the corporate brand or other sub-brands. For companies that offer a wide variety of products and/or services that cater to multiple market segments, a house of brands may be the ideal approach.  
  
The disadvantage to a house of brands is that the individual brands cannot rely on an overarching corporate brand to bolster their marketing efforts. As a result, a house of brands may suffer from a lack of focus and clarity if trying to manage too many different brands. Conversely, if the company manages multiple similar brands, confusion between or conflict among the various brands may result. Another disadvantage is that the costs of marketing multiple brands can add up to a large sum.    
  
In order for a house of brands to be most effective, the individual brands must be well defined with distinct target markets and marketing strategies. A house of brands that tries to do too much or sets itself up for internal competition with too narrow a scope may not succeed.

*Branded House Architecture*

A *branded house* refers to a company that uses a branding strategy in which the brand is equivalent to the company itself. Examples of *branded houses* include many consumer electronics companies such as Apple, Samsung and Sony. While individual products like the iPhone and Galaxy tablet may have strong identities, they are all intimately linked with the company’s overall brand.

The branded house offers the benefit of bringing together multiple products or services under the umbrella of a single, strong brand. Individual offerings from the same company may leverage the brand recognition and reputation of that company, even when launching new products or entering new markets. Sony, for example, entered the financial market in Japan utilizing its corporate brand name. Sony Bank and Sony Life Insurance have been well recognized in Japan. The synergy among different units of one company may strengthen each individual unit. In this structure the whole is greater than the sum of its parts.  
  
In a branded house, all parts of the company must share the same vision and values. This requires close cooperation between various departments and business units. This can be a disadvantage in some cases, but may also lead to increased customer loyalty, as customers are attracted to the overall brand rather than the brand of an individual product. These customers may be more likely to buy other products from the same company, whereas in a house of brands, customer loyalty is more likely to be tied to individual product brands.  
  
Other disadvantages of a branded house arise from the fact that individual business units do not have their own identity or autonomy. Diverse product offerings must all adhere to the same parent brand, which may limit the breadth of marketing efforts. In addition, negative reactions to one aspect of the business may reflect poorly on the entire brand, an effect that can be minimized when a single company maintains distinct brands for each business segment.  
  
A branded house strategy is often ideal for small businesses, nonprofit organizations and institutions in markets such as health care, education and finance. However, as per the examples cited above, a branded house can often work very well for large corporations as well. In fact, the most successful multinational corporations tend to be branded houses, such as Intel, Microsoft, McDonalds and IBM.

1. Corporations that organize brands using the *House of Brand* structure often use one of two strategies for branding: a *product brand strategy* or an *endorser brand strategy*. Please define and discuss each strategy in detail. Draw a schematic and provide three statements of rationale that describe the strategy. What is the primary difference between the two strategies? (LO1, LO2)

With a *product brand strategy*, the company name is not identified with the brand. Instead, product names are what drive the purchase of the product. With an *endorser brand strategy* the corporate brand is well known and guarantees quality.

The primary difference in the two is that the company name does not appear near the brand, product or positioning. With an endorsed brand strategy, the company name appears after the brand, product or positioning.

***Product Brand Architecture***

Examples: Mini Cooper, Proctor and Gamble, ConAgra

* The corporate brand is hidden
* One name is assigned to one product along with a single positioning
* Each new product is a new brand

***Endorser Brand Architecture***

Examples: General Motors, 3M, Johnson and Johnson

* Company is well known and guarantees quality
* One name is assigned to one product along with a single positioning
* Each new product is a new brand

1. Corporations that organize brands using the *branded house* structure often use one of two strategies for branding: a *master brand* strategy or a *source brand strategy*. Please define and discuss each strategy in detail. Draw a schematic and provide three statements of rationale that describe the strategy. What is the primary difference between the two strategies? (LO1, LO2)

With a master brand strategy, there is one unified brand and the brand covers more than one category of products. Products don’t typically have their own brand name. Some examples are Sony and Wal-Mart. With a source brand strategy, the company name is used along with the products, but the products are the real heroes. Some examples are L’Oreal and Apple.

***Master Brand Architecture***

Examples: Honda, Walmart, Sony

* There is one unified brand name know to consumers
* The brand name covers more than one category
* Products align with the brand position of the corporate name and typically don’t have their own brand names

**Source Brand Architecture**

Examples. L’Oreal, Nestle, Apple

* Company name is well-known and guarantees quality
* Company name takes a backseat position
* Products are the heroes
* Both the source brand and product brands have unique, but aligning positions

1. Describe the concept of brand equity. The five categories of assets that underlie brand equity discussed in the case are: brand loyalty, name awareness, perceived quality, brand associations in addition to quality, and other proprietary assets. Please describe each as it might apply to re-launching the Datsun name. Discuss the role of assets and skills that relate to brand equity. (LO3)

According to David Aaker, in the book *Managing Brand Equity*, “brand equity is a set of brand assets and liabilities that are linked to the brand, its name and its symbol, that add to or subtract from the value provided by a product or service.”

An intangible asset is the *equity* represented by brand name. For many businesses, the brand name and what it represents is its most important asset because brand equity is the basis of competitive advantage and of future earning streams.

The dimensions that make up the notion of brand equity can be described into five categories and apply to Nissan as follows:

*Brand Loyalty.*

An installed customer base has the customer acquisition investments largely in its past and this makes an established brand more valuable. The loyalty of the customer base reduces the vulnerability to competitive action. Competitors may be discouraged from spending resources to satisfied customers because of the cost. Higher loyalty means greater trade leverage.

For Nissan, the Datsun name has no existing equity in the emerging markets. This means that when it comes to brand loyalty they had no competitive advantage. It is launching an unknown brand in the marketplace. In the U.S. and Japan, Datsun had some equity as consumers were familiar with the brand, but Datsun cars were not sold and did not and could not have brand loyalty.

*Name Awareness:*

People often purchase a familiar brand because they’re comfortable with the familiar. There may be an assumption that a brand is familiar or reliable or reasonable quality, etc. A recognized brand name will often be selected over an unknown brand.

In the case of the Datsun name, the awareness factor is important in the context of the marketplace. It is more difficult to launch an unknown brand than it is to launch an established brand. However, in the case of Nissan, launching Datsun branded car, consumers may consider the corporate brand as it provides some equity in the purchase decision. But, the fact still remains the Datsun name had no awareness in the emerging markets.

*Perceived Quality*

The perceived quality of a brand will have a perception of overall quality. Perceived quality will directly influence purchase decisions and brand loyalty, especially when a buyer is not motivated or is able to conduct a detailed analysis of the product.

For Nissan, the Datsun brand was not known for reliability and that could not be used for a competitive advantage. The “reliability” space is occupied by Toyota.

*Brand Associations (in addition to quality)*

The underlying value of the brand name often is based upon specific associations linked to it. Inthe automotive category associations are often linked with brands; Volvo and safety; Mercedes and prestige; Toyota and reliability; and Hyundai and economy.

For Nissan, the association that is most important is that of innovation but “innovation” does not necessarily translate to Datsun.

*Proprietary assets*

The previous dimensions represented customer perceptions and reactions to the brand. Proprietary assets represent patents, trademarks, and channel relationships that can be used to prevent competitors from eroding loyal customer base.

There may be many proprietary assets that Nissan holds and owns, but that is not within the scope of this case.

In business, assets and skills provide a competitive advantage that can be sustainable in the long term. For most businesses, the actual process of doing business can be easily imitated. Where a company competes and the way it competes does not provide a distinguishing competitive advantage or strategic value in itself. For example, anyone can distribute laundry detergent through supermarkets, but a few have the clout to do it as effectively as Procter & Gamble. The right assets and skills provide barriers to competitors that build a competitive advantage in the long-term.

The most important assets of the firm are the brand names and the skills of the people within the organization.

1. How important of a role do you think the concept of brand equity played in the decision to re-launch the Datsun brand? Discuss how brand equity creates value to customers in the automotive category. (LO3)

It seems brand equity played an important role in the decision to re-launch the Datsun brand. Looking at the Datsun web site ([www.datsun.com](http://www.datsun.com)) the strengths of the brand are discussed within the theme, “Datsun Returns.”

*Who is Datsun?*

Datsun is an important brand within the Nissan Motor Company’s history. It began in 1914 with DAT, a company named from the first initials of its three investors (Den, Aoyama and Takeuchi) and translated as ‘lightning-fast.’ From the first model, the DAT-Car, the company expanded until it was taken over by Nissan’s founding father Yoshisuke Aikawa in 1933. Aikawa envisioned ‘mobility for all’ with a lightweight, economical yet durable car that fulfilled the needs and ambitions of up-and-coming Japanese people through local engineering and mass-production. He named the car ‘DAT-son’, or ‘the son of DAT’, which soon became ‘Datsun.’ 20 million Datsun vehicles were sold in 190 countries until the Datsun brand was phased out from 1981.

Why is Datsun Returning Now?

The decision to reintroduce the Datsun brand into the market was made in 2010. Optimistic, up-and-coming women and men in high-growth economies are looking for a vehicle that not only answers their everyday needs and wants, but also fulfills their dreams and ambitions. The proposition to meet this need is exactly in line with the proposition Nissan outlined for similarly optimistic customers in Japan, America and a large part of the world during most of the 20th Century in Datsun heritage.

Why bring back Datsun and not expand Nissan?

Nissan Power 88 mid-term business plan announced an intention to accelerate the introduction of new products to customers in high-growth countries. Datsun intends to serve them with exciting products, made locally and assured by global expertise. By contrast, Nissan will continue to make global products assured by a global brand.

How does the badge reflect the new Datsun?

The new Datsun badge is a modern interpretation of the original, which symbolized the Datsun belief, ‘Sincerity leads to success.’ The inner portion preserves the essence of the original Datsun logo, with a blue bar, symbolizing integrity, striking through the rising sun, representing the energy of rising towards a better tomorrow. The outer bolt shape represents the modernity and robustness of the new Datsun brand and cars. The blue brand color is taken from Datsun heritage, with its meaning rooted in sincerity and trustworthiness.

What will the new Datsun be like?

Nissan revealed the first Datsun model in India on July 15th 2013. Sales begin in 2014 in India followed by Indonesia, Russia and South Africa. Although Datsun models will be individually developed for different markets, the concept for each is inspired by the same principles. All future Datsun models will offer up-and-coming customers in high-growth markets an engaging driving experience, peace of mind ownership and accessibility at the right price, with a competitive total cost of ownership. These product values will be supported by Nissan Motor Company’s experience as a global car manufacturer and technical expert in local optimized solutions. The 21st-century Datsun will deliver a rewarding brand experience with no compromise in terms of accessibility, reliability and durability – values deeply rooted in Datsun’s heritage.

Brand equity creates value to customers in the automotive category in the same way brand equity creates value in other products. Brand equity creates value to consumers in these ways: 1) enhances interpretation and processing of information; 2) builds confidence in the purchase decision; 3) provides use satisfaction (user can feel different while using the product, i.e. happy, proud, contented etc.)

Brand equity creates value for Nissan by; 1) enhancing the effectiveness and efficiency of their marketing programs; 2) building brand loyalty among consumers; 3) maintaining prices and margins, 4) launching new brands and brand extensions; 5) establishing trade leverage, keeping a competitive advantage.

1. Apply the five general approaches to assessing the value of brand mentioned in the critical incident. How do you think Nissan assessed the value of the Datsun brand and what might they have considered in each approach? Why did Nissan decide to revive the Datsun name? Why not create a new name? What are the advantages and disadvantages of this branding strategy? (LO4)

There are five general approaches to assessing the value of brand equity. The first is based on the price premium that the name can support. The second is the impact of the name has on customer preference. The third looks at the replacement value of the brand. The fourth is based on the stock price. And, the fifth is based on the future earning power of a brand.

The following describes approach as it applies to Datsun

*Price premiums generated by the brand name*

Brand equity assets such as name awareness, perceived quality, associations, familiarity, and loyalty all have the potential to provide a brand with a price premium. The resulting extra revenue can be used to enhance profits or reinvest in building more equity.

In the case of Datsun, it is unclear if that name sets the foundation for price premium, especially with the Go and Go Plus, models. The Datsun name may not imply a price premium it may in fact imply a price discount.

*Brand name and customer preference*

The price premium earned by a brand may not be the best way to quantify brand equity, especially for product classes like cigarettes and air travel where prices are fairly similar. An alternative is to consider the impact of the brand name upon the customer evaluation of the brand as measured by preference, attitude or intent to purchase. Asking a question like, “What does a brand name do to the evaluation?” would be one way to assess customer preference.

For example, a study showed that the approval rating for Kellogg’s corn flakes went from 47% to 59% when the consumers were told the identity of the brand name. The value of the brand would then be the marginal value of the extra sales or market share the brand supports.

In the case of Datsun, brand name and customer preference may not be an ideal way to evaluate the value of the Datsun brand equity because the Datsun name has never existed in the emerging markets.

*Replacement Cost*

Another perspective is the cost of establishing a new name and business. While it is difficult to establish a final cost estimate to develop a new brand, there are rules of thumb that may help address the “replacement cost” consideration.

For example, if it was estimated to cost $100 million to develop and introduce a new product and that the chance of success was 25 percent on average, four products costing a total of $400 million would need to be developed to ensure one winner.

In the case of Datsun, the name was already owned by Nissan Corporation, and much of the cost of registering trademarks developing logos had already been developed and could be considered a sunk cost. The Datsun name was a previous asset of Nissan Corporation that was sitting on the shelf ready to be used.

*Brand value based upon stock price movements*

Another approach, suggested by finance theory is to use the stock price as a basis to evaluate the value of the brand equity. The argument is that the stock market will adjust the price to reflect the future prospects of the brand.

In the case of Datsun, evaluating the stock price of Nissan would not be an accurate method of analysis because Datsun had no impact of the stock price of Nissan Corporation.

*The earning power of a brand*

Developing the brand value based upon future earnings is also a difficult task. One approach might be to discount the present value of the future earnings attributable to brand equity assets. One way to do this is to develop a long-range plan of the brand by simply discount the profit stream that is projected.

In the case of Datsun, this would not provide hard data and the analysis would be subjective.

**General Discussion**

There are many interesting aspects to this case.

According to David Aaker, in the book *Managing Brand Equity*, he writes about the resiliency of the Datsun name. A survey in 1988, found that the “recognition and esteem of the Datsun name was essentially the same as that of the Nissan name, despite the virtual absence of the Datsun name from the commercial seen for five years, and the money effort placed behind the Nissan name.”

Aaker also provides estimates for the name change to Datsun. The cost to change the name was estimated to exceeded half a billion dollars. Operational costs, like changing signs at the 1,100 dealerships cost approximately $30 million. Second one may assume that $200 million was spent on advertising between 1982 and 1984 because of the name change, and then another $50 million was wasted because the “Datsun: We are Driven Campaign” was prematurely stopped. Finally assume even that a .3% market share was lost for a three-year period because of buyer confusion. That loss alone represented many hundreds of millions of dollars in marginal profit.

**Epilogue**

The success of Datsun Go and Go Plus in India, Indonesia, Russia, and South Africa remains to be seen.

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