



# ONLINE

## Launching Your Startup

Branding

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# Branding Importance

- Carefully branding your product or service allows you to differentiate it from other options available on the market
- It often times allows you charge a price premium
  - For example, Warby Parker products are less expensive than many other eyewear options, but are more expensive than many other eye glasses available online because of their unique brand
- Branding also allows you to create a personality or an image for your company
  - Is it a company that is breaking tradition?
  - Harley Davidson is a well known motorcycle brand, but their EV motorcycle will be called LIVEWIRE

# What is a Brand?

- Brand is a marketing device designed to create value that is above and beyond the core product/service benefits
- Brands create value for organizations by:
  - Increasing the effectiveness of marketing actions
  - Creating a separable company asset—you can sell it or license it without selling the company
- Brands create value for customers by:
  - Differentiating it from competitors
  - Serving as a credible quality signal
  - Offering emotional, social, and self-expressive benefits—we call this brand personality

# Brands Create Value for Organizations

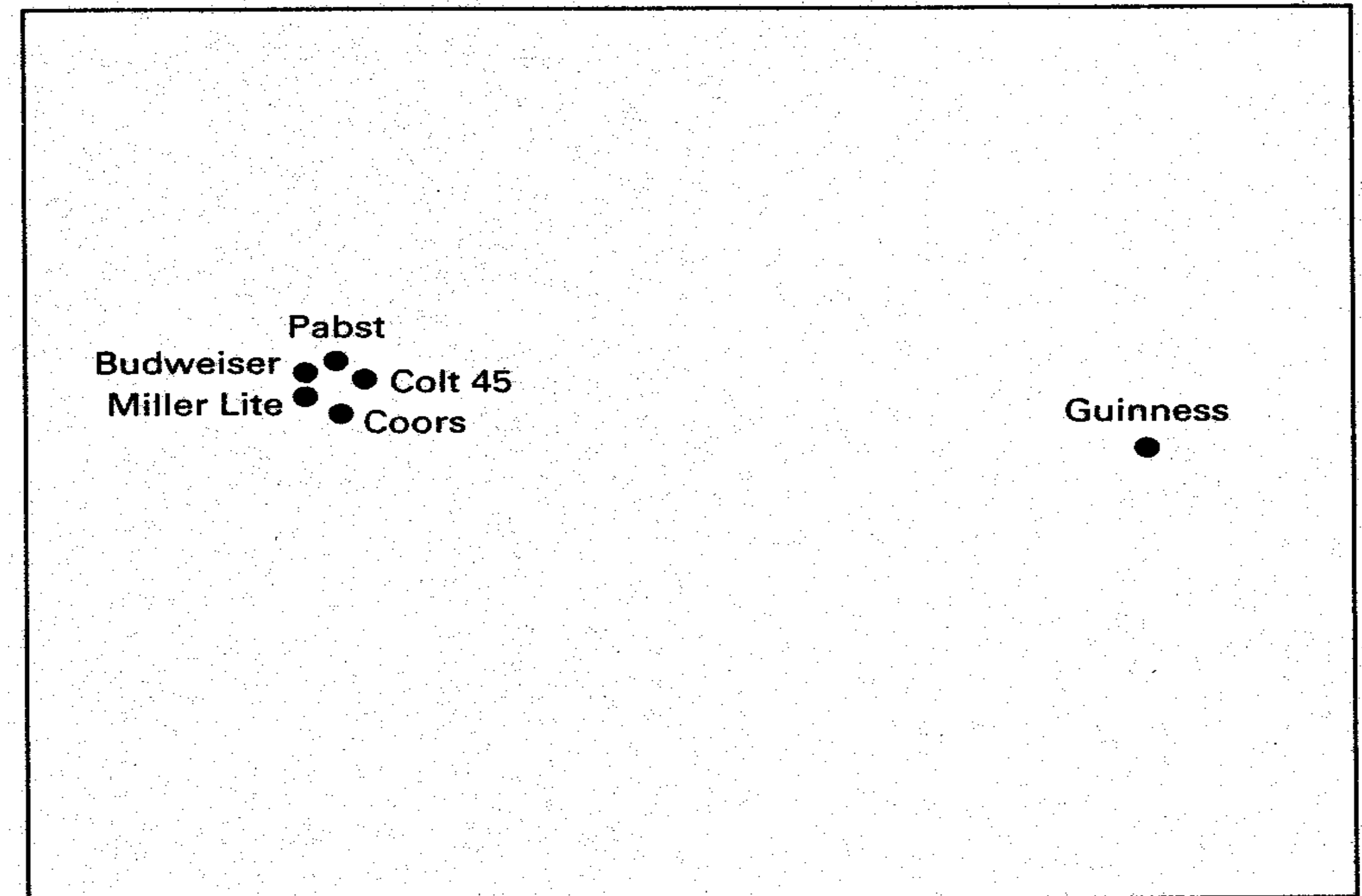
- McKinsey study: 130 consumer goods companies
  - Strong brands generate returns 1.9% above industry average
  - Weak brands generate returns 3.1% below industry average
  - Half of market value of Fortune 250 is in intangible assets

# Brands Can Differentiate

- In a classic study on branding, expert beer drinkers were asked to taste beer under two conditions
  - One in which they could see the brand they were drinking, and another where the labels were removed
- In each case they were asked to give their opinions on how similar and dissimilar were the beers that they drank

# Brands Differentiate: Blind Taste Test

- In the case where the labels were removed, the various options were rated to be very similar, except for Guinness
- There must be something very unique about Guinness relative to the other beers

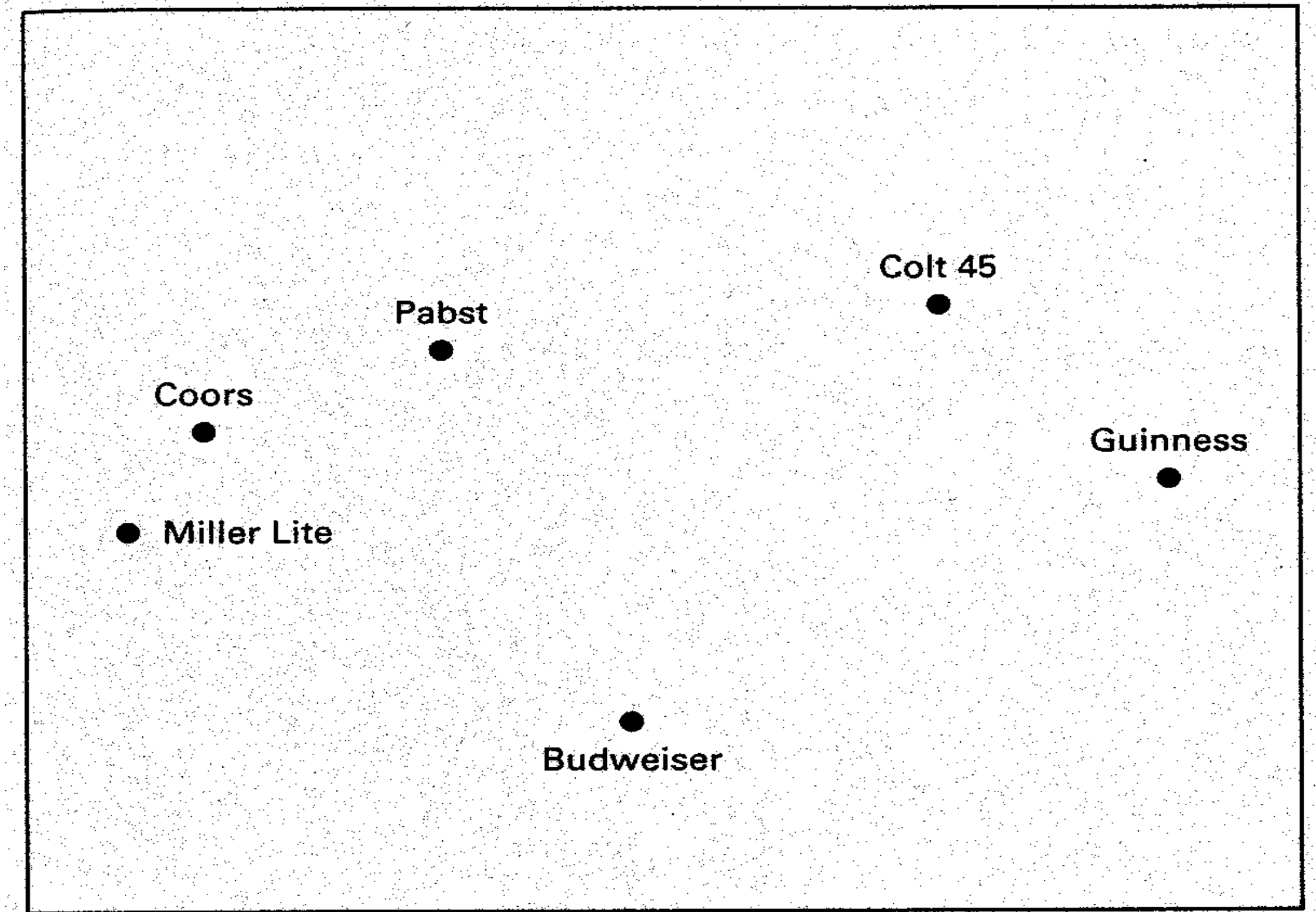


B. Taste Perceptions of Six Beer Brands When the Drinker Does **Not** Know What He Is Drinking



# Brands Differentiate: Branded Test

- When brand labels were visible, the products that were similar tasted different
- Any such differentiation, allows each of these brands to charge a higher price
- Brain studies have also shown that branding has a distinguishable effect
- Those interested may want to look at the work of Professor Reed Montague



A. Taste Perceptions of Six Beer Brands When the Drinker Knows What He Is Drinking

# Brands Serve as Credible Quality Signals





# For What Kinds of Products?

- A question we can ask is: For what kinds of products do they work better on this issue?
- For this, we can classify our offerings into three categories
  - Search goods
  - Experience goods
  - Credence goods

# Search Goods

- Search goods are those where a potential buyer can be relatively sure about the quality and appropriateness of a product, by say looking at the characteristics of the product by going to the website
  - When I am buying a new PC, I just go to the website, look at the specs, and order
  - So for me, a PC is a search good

# Experience Goods

- When I am buying a car, I still go to the website and look at the specifications, but I want to do something more
  - I feel the need to test drive— experience the car a little more to see if it matches what I want
- Specifications alone is not enough
- When I am thinking of seeing a movie, I look at the genre and the names of the actors, but seeing the trailer adds value

# Credence Goods

- How about consulting services, legal services, cement that goes into the foundation of a bridge, a vaccine that will prevent me from getting sick, or financial planning advice?
- In these cases, the outcome takes a long time
  - Whether or not what I purchased was good or bad will not be known
  - Or, by the time it is known, it is too late to take corrective action
- In this case, trust is more important and strong brands provide that trust

# Credence Goods

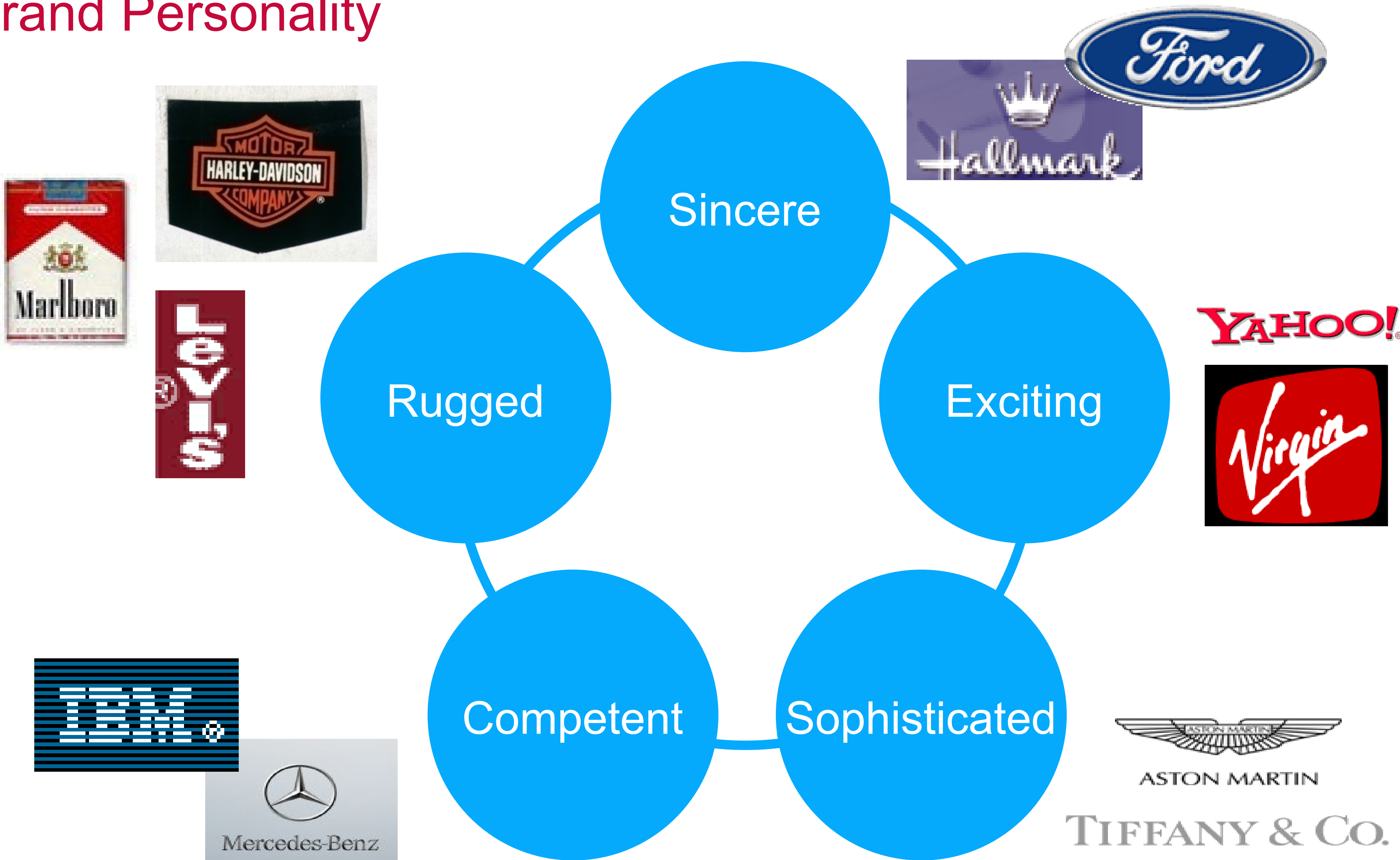
- It is therefore not surprising that in many of the credence good industries, incumbents with strong brands have a great advantage
  - Online financial advice is difficult to break into for new entrepreneurs, but easier for strong existing players
  - Same is true for consulting
- So if you are entering into these markets, you need to make sure you have a very unique value proposition

# Brand Personality

- Another aspect of branding that is useful to know is the concept of brand personality
- Professor Jennifer Aaker from Stanford has done some very interesting and path breaking work in this area
- She studied brands in the US and developed the concept of brand personality, and pointed out 5 different brand personalities



# Brand Personality



# Implications

- Each entrepreneur has a personality— should the brand match the personality?
- Should the brand match the personality of your target customer or should it complement what is missing?
  - Are people buying Levi's jeans rugged?
  - Or do they want to appear rugged?
- Brands can create emotional value through their personalities

# Summary

- It is crucial for entrepreneurs to understand the concept of branding
- Good branding allows you to differentiate your product from others
  - Think of Warby Parker
- A brand also signals the quality of your offerings by creating a trust between the buyer and the seller
  - I am willing to put my name on it!
- Brands, through their personality, also offer an emotional benefit by allowing consumers to be who they are not, or to express who they are



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