7 Using secondary brand associations to build brand equity

PREVIEW

Chapters 4 to 6 described how brand equity could be built through the choice of brand elements (Chapter 4) or through marketing and product, price, distribution and marketing communication strategies (Chapters 5 and 6). This chapter considers the third means by which brand equity can be built – namely, through related or 'secondary' brand associations. That is, brands themselves may be linked to other entities that have their own knowledge structures in the minds of consumers. Because of these linkages, consumers may assume or infer that some of the associations or responses that characterise the other entities may also be true for the brand. Thus, in effect, associations are transferred from other entities to the brand. In other words, the brand essentially 'borrows' some brand knowledge and, depending on the nature of those associations and responses, perhaps brand equity from other entities.

This indirect approach to building brand equity is referred to as using *secondary brand knowledge*. Secondary brand knowledge may be important if existing associations or responses are deficient in some way. So, secondary associations can be used to create strong, favourable and unique associations or positive responses that might otherwise not be present. Secondary brand knowledge can also be an effective way of reinforcing associations and responses in a fresh way.

This chapter considers the means by which secondary brand knowledge can be created by linking the brand to the following (see Figure 7.1):

- companies;
- countries of origin or other geographic areas;
- channels of distribution;
- co-branding;
- licensing;
- celebrity endorsements;
- sporting, cultural, or other events (sponsorship); and
- third-party sources (eg, awards or reviews)

As an example of the issues involved, suppose that Salomon, makers of alpine and cross-country ski bindings, ski boots and skis, decided to introduce a tennis racquet called The

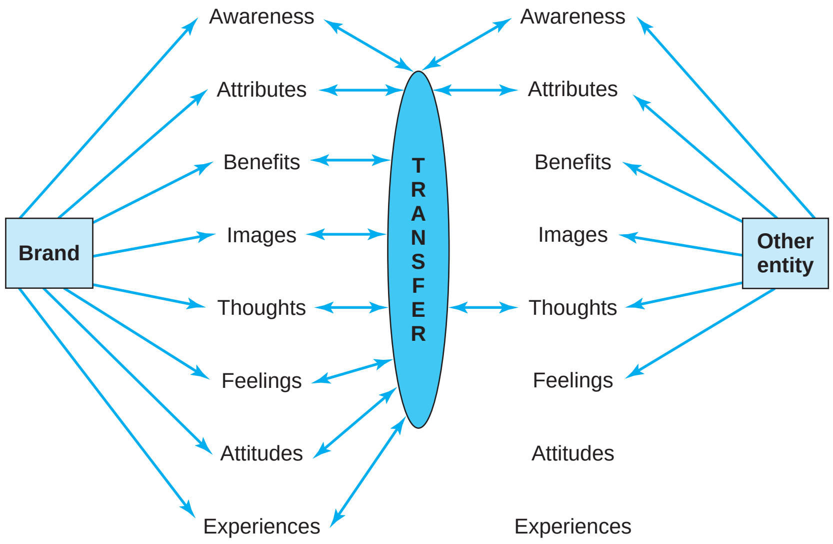

Figure 7.1 Transfer of brand knowledge

Avenger. Although the company has been selling safety bindings for skis since 1947, much of Salomon's growth was fuelled by its diversification into ski boots and the introduction of a type of ski called the monocoque. Salomon's innovative, stylish and quality products have led to strong leadership positions. In creating the marketing programme to support the Avenger racquet, Salomon could attempt to build on secondary brand knowledge in a number of ways:

- Salomon could use associations to the corporate brand by sub-branding the product – for example, by calling it Avenger by Salomon. Consumers' evaluations of the product extension would be influenced by the extent to which consumers held favourable associations about Salomon as a company or brand because of its skiing products and felt that such knowledge was predictive of a tennis racquet that the company made.
- Salomon could try to rely on its European origins (it has its headquartered near Lake Annecy at the foot of the French Alps), although such a location would not seem to have much relevance to tennis.
- Salomon could also try to sell through upmarket, professional tennis shops and clubs in a hope that the retailers' credibility would rub off on the Avenger brand.
- Salomon could try to co-brand by identifying a strong ingredient brand for their grip, frame, or strings (eg, as Wilson did by incorporating Goodyear tyre rubber on the soles of its ProStaff Classic tennis shoes).
- Although it is doubtful that a licensed character could help, Salomon could approach one or more top professional players to endorse the racquet or could choose to become a sponsor of tennis tournaments or even the professional ATP men's or WTA women's tennis tour.
- Salomon could attempt to secure and publicise favourable ratings from third-party sources (eg, tennis magazines and websites).

CONCEPTUALISING THE PROCESS

Linking a brand to an other entity may create a set of associations from the brand to the entity as well as affect existing brand associations. Both outcomes are discussed next.[1]

Creation of brand associations

By making a connection between a brand and another entity, consumers may form a mental association from the brand to this other entity and, consequently, to any or all associations, judgements, feelings and the like linked to that entity. In general, this secondary brand knowledge is most likely to affect evaluations of a product when consumers lack either the motivation or ability to judge product-related concerns.

Effects on existing brand knowledge

Linking a brand to some other entity may not only create new brand associations to the entity but may also affect existing associations. The basic mechanism involved with these indirect effects is as follows. Consumers have some knowledge of an entity. When a brand is identified as being linked to that entity, consumers may infer that some of the associations, judgements, or feelings that characterise the entity may also characterise the brand. A number of theoretical mechanisms from psychology predict such an effect. For example, such reasoning by consumers could merely be a result of 'cognitive consistency' considerations – in other words, in the minds of consumers, if it is true for the entity, then it must be true for the brand.

In terms of conceptualising this inferencing process more formally, three factors are particularly important in predicting the extent of leverage that might result from linking the brand to another entity:

1. Awareness and knowledge of the entity. If consumers have no knowledge of the secondary entity, there is nothing that can be transferred. Ideally, consumers would be aware of the entity, hold some strong, favourable and perhaps even unique associations regarding the entity, and have good feelings about the entity.
2. Meaningfulness of the knowledge of the entity. Given that the entity evokes potentially beneficial associations, judgements, or feelings, to what extent is this knowledge relevant and meaningful for the brand? The meaningfulness of this knowledge may vary depending on the brand and product context. Some associations, judgements, or feelings may seem relevant to and valuable for the brand, whereas other knowledge may seem to consumers to have little connection.
3. Transferability of the knowledge of the entity. Assuming that some potentially useful and meaningful associations, judgements, or feelings exist regarding the entity and could be transferred to the brand, to what extent will this knowledge actually become linked to brand? Thus, an issue is the extent to which associations will in fact become strong, favourable and unique, and judgements and feelings will become positive in the context of the brand.

In other words, the questions about transferring secondary knowledge from another entity are: What do consumers know about the other entity? and Does any of this knowledge affect what they think about the brand when it becomes linked or associated with this other entity?

Theoretically, any aspect of knowledge may be inferred from other entities to the brand (see Figure 7.1), although some types of entities are more likely to inherently create or affect certain kinds of brand knowledge than other types. For example, events may be conducive to the creation of experiences; people may be effective for bringing out feelings; other brands may be well suited to establishing particular attributes and benefits; and so on. At the same time, any one entity may be associated with many aspects of knowledge, each of which may alter brand knowledge directly or indirectly.

For example, consider the effects on knowledge of linking the brand to a cause. Identification of the brand with a cause (eg, Avon's Breast Cancer Crusade or Ronald McDonald House) could have several effects on brand knowledge. A cause marketing programme could build awareness via recall and recognition; enhance brand image in terms of attributes such as user imagery (eg, kind and generous) and brand personality (eg, sincere); evoke feelings (eg, social approval and self-respect); establish attitudes (eg, credibility judgements such as trustworthy and likable); and create experiences (eg, through a sense of community and participation in cause-related activities).

In general, it may be more likely for judgements or feelings to transfer from the entity than more specific associations. Many specific associations are likely to be seen as irrelevant or too strongly linked to the original entity to transfer to the brand.

The process by which knowledge such as associations from another entity can be transferred to a brand is discussed in detail in Chapter 12. As is pointed out there, the inferencing process depends on the strength of the linkage or connection in consumers' minds between the brand and other entity. The more consumers see similarity of the entity to the brand, the more likely it is that consumers will infer similar knowledge about the brand.

Guidelines

Choosing to emphasise source factors or a particular person, place, or thing should be based on consumers' awareness of that entity, as well as how the associations, judgements, or feelings for the entity might possibly become linked to the brand or affect existing brand associations. Secondary brand knowledge may be a means of creating or reinforcing an important point of difference versus competitors or a necessary or competitive point of parity.

Entities may be chosen for which consumers have some, or even a great deal of, similar associations. A *commonality* strategy makes sense when consumers have associations in memory to another entity that are congruent with desired brand associations. For example, consider a country such as New Zealand, which is known for having more sheep than people. A New Zealand sweater manufacturer that positioned its product on the basis of its 'New Zealand wool' presumably could more easily establish strong and favourable brand associations because New Zealand may already mean 'wool' to many people.

On the other hand, there may be times when entities are chosen that represent a departure for the brand because there are few if any common or similar associations. Such *complementarity* strategies can be critical in terms of delivering the desired position. The challenge here is to ensure means of transferability such that the less congruent knowledge for the entity has either a direct or indirect effect on existing brand knowledge. This may require marketing programmes that overcome initial consumer confusion or scepticism.

Even if consumers accepts an association, using secondary brand knowledge may be risky because some control of the brand image is given up. The source factors or related person, place, or thing will undoubtedly have a host of other associations, of which only a smaller set will be of interest to the marketer. Managing the transfer process so that only the relevant secondary knowledge becomes linked to the brand may be difficult. Moreover, this knowledge may change over time as consumers learn more about the entity, and these new associations, judgements, or feelings may or may not be advantageous for the brand. Brand Briefing 7.1 describes how secondary associations such as different sports and social sponsring can be used to strenghten the brand. Brand Briefing 7.2 describes the David Beckham brand.

Brand Briefing 7.1

Transfer of meaning through secondary associations

This brief illustrates the process of borrowing secondary associations from another entity to strengthen a company's brand. The research methodology used in the study was the projective Brandjobs model (Figure 7.2), which is based on the most important cross-cultural human personality traits, the five factor model (see Chapter 9 for a description of the research methodology). The research was carried out in Sweden 2007.

The vertical dimension goes from introvert to extrovert, and the horizontal dimension from 'Getting ahead' to 'Getting along'. Combining these two results in a 'personality platform' based on human attributes. (Chapter 9 illustrates the brand personalities of some Swedish companies.) With this knowledge, correlations can be made between the personality that characterises these companies with the personalities of nine sponsorship options that characterises various personalities and associations. The aim of the research was to develop a methodology that would help companies to choose the right sponsorship for their brands.

Figure 7.3 shows the personalities of nine sponsorship options. As described before, two strategies can be used for choosing the secondary associations that can be used to link to a brand. On one hand the *commonality* strategy makes sense when associations are sought that are congruent with desired brand associations. On the other hand, the *complementary* strategy can be used as a departure from the current position to the desired one. When the personalities of these options are

Brand Briefing 7.1 *continued*

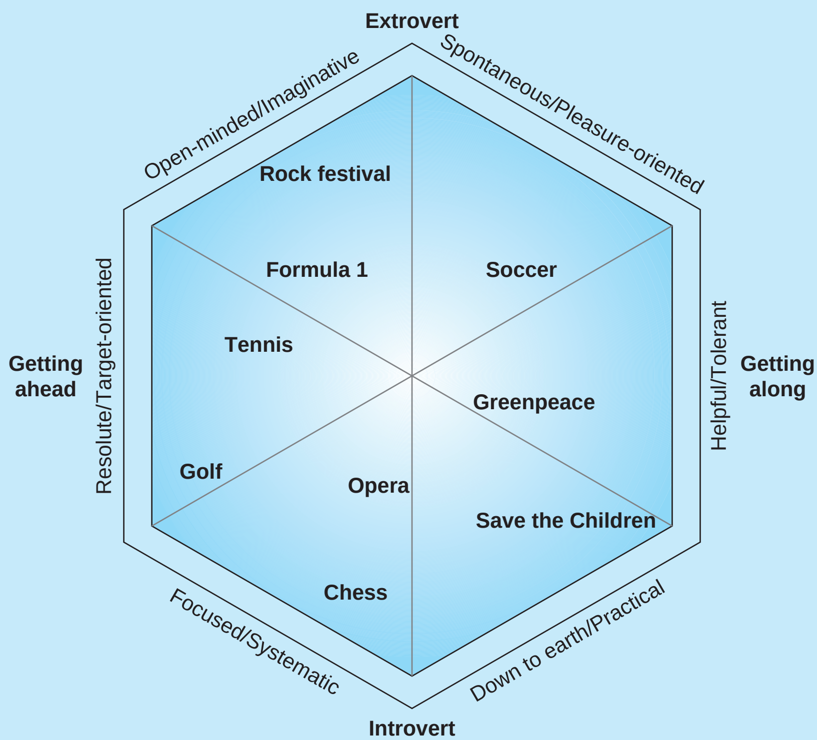

Figure 7.2 Personalities of nine different sponsorship entities (Brandjobs model research)

	H&M	BMW	IBM	Carlsberg	Ikea
Rock festival	0.78	0.38	<0	0.63	0.36
Formula 1	0.54	0.81	0.37	0.57	<0
Soccer	0.65	0.41	0.20	0.75	0.20
Greenpeace	0.10	<0	<0	0.19	0.52
Save the Children	<0	<0	<0	0.10	0.36
Opera	0.31	0.15	0.22	0.4	0.16
Chess	<0	0.10	0.82	<0	<0
Golf	0.27	0.64	0.71	0.43	<0
Tennis	0.32	0.53	0.55	0.55	<0

Figure 7.3 Correlation between brand and sponsoring activities

Brand Briefing 7.1 *continued*

analysed for H&M (Figure 7.4) and Ikea (Figure 7.5), 'Rock festival', 'Soccer', and 'Formula 1' have commonality with the H&M personality while 'Greenpeace', 'Rock festival' and 'Save the Children' show similarities with Ikea. Chess, Golf, and Tennis would mean a departure from the current Ikea personality.

This research illustrates how a brand personality can be used to help choose the right sponsoring activity for a brand. The Brandjobs method is used to find and analyse the emotional brand personality. The personality characteristics of both the company and the secondary association from another entity has been used to see which sponsorship activities fit together, and which do not. Using a sponsorship strategy with a different personality and associations from a brand can add something new to the brand and energise the brand.

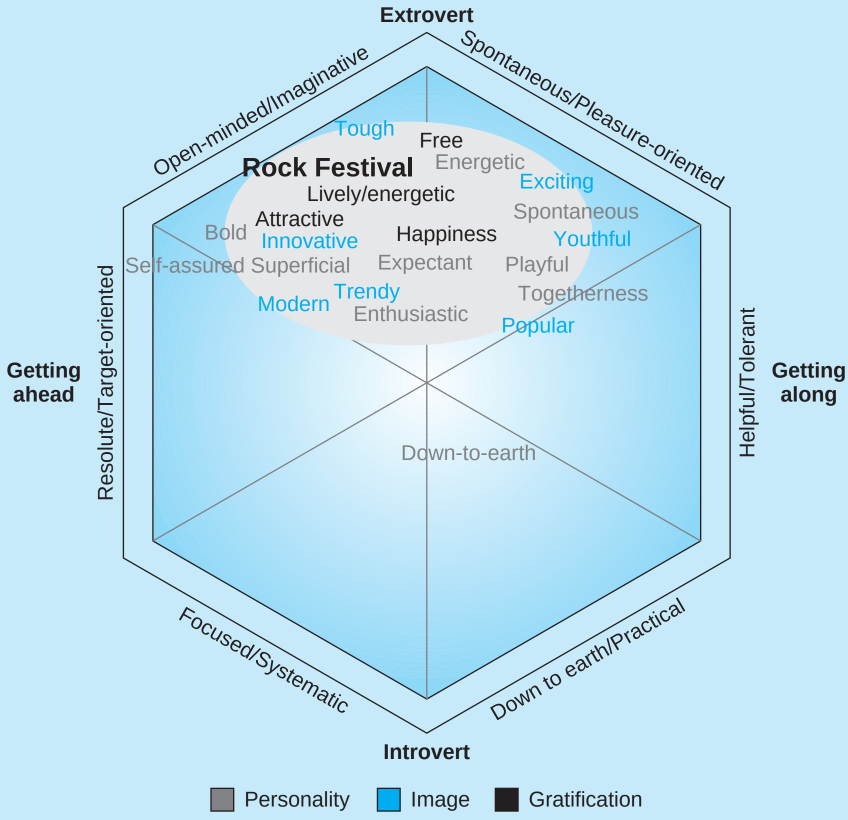

Figure 7.4 Good sponsorship fit between H&M and 'Rock festival'

Brand Briefing 7.1 *continued*

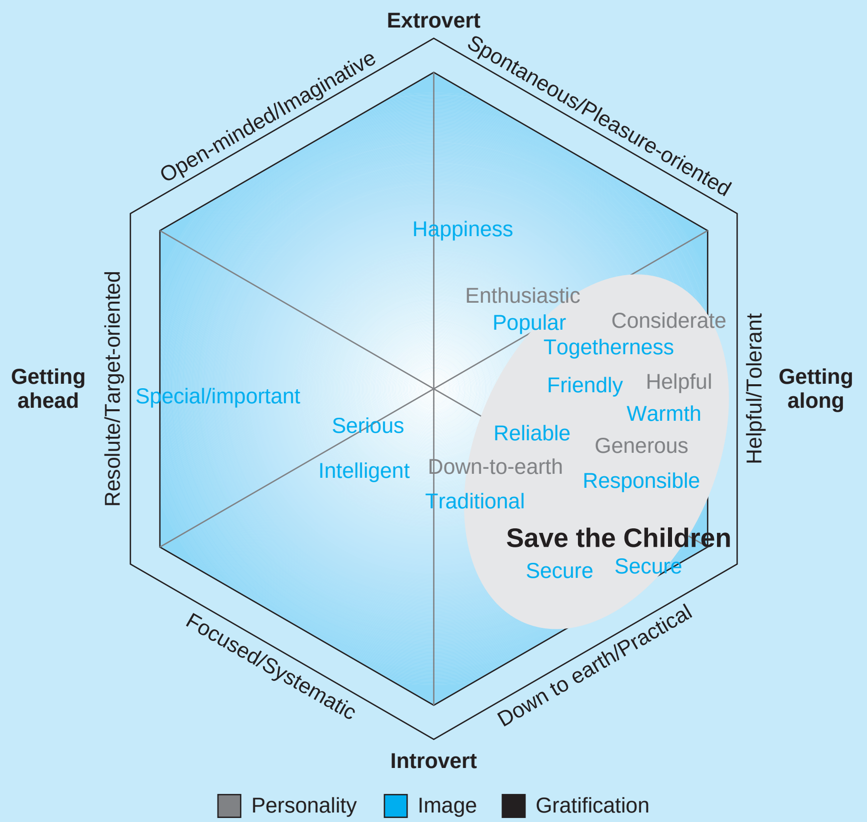

Figure 7.5 Bad sponsorship fit between H&M and 'Save the Children'

Source: Brandjobs study 2007 by Tony Apéria, Fredrik Berggren and Robert Nises.

When Vodafone signed Manchester United midfielder David Beckham in 2002 as an endorser, the question was at first whether consumers would find a fit or consistency and, if not, how much value the endorsement would add to the brand. The endorsement ended in 2005, most likely because Beckham's next club, Real Madrid, was sponsored by Vodafone's rival Siemens Mobile! When Beckham moved to Madrid the family needed help moving and settling into a new country. Initially, his wife and children were to stay in the UK. Beckham hired a personal assistant, Rebecca Loos, and she claimed to have had an affair with Beckham in the media in April 2004. This has never been admitted by David Beckham. Brand Briefing 7.2 describes the David Beckham brand more in depth.

Brand Briefing 7.2

The David Beckham brand

The football player David Beckham may be worth millions of pounds, but the David Beckham brand is worth many times more. As a footballer, Beckham will earn about €4 million for the 2007/08 season, but sponsorship deals, promotional contracts and earnings from the Beckham brand are estimated to be €13.6 million in the same period. According to *Forbes* magazine, Beckham is ranked second only to US golfer Tiger Woods as the most important sportsman of 2007.

Sports stars have become the rock stars of the age. Beckham arrived at just the right time; the world of sport was longing for a superstar while England's Premier League was establishing itself as the world's best football league, with worldwide TV coverage (Figure 7.6).

As a footballer, Beckham is known for his magic right foot and astonishing free kicks, passes and goals. But despite his success for club and country, Beckham has fought for his entire career to be recognised as a star.

The fact is that the Beckham brand was built up off the football pitch. Beckham has become known above all as a model, sex symbol and trendsetter. He's a pop star in a football kit with an enviable lifestyle and a wife who's nearly as famous – the former Spice Girl Victoria Beckham. He's a good-looking and fashion-conscious man who is known, sought out and desired by women and men the world over. In fact, many fashion experts claim that Beckham has created an interest in fashion and looks among men who previously didn't care about these subjects.

Figure 7.6 The sports brand David Beckham

Brand Briefing 7.2 *continued*

Football was already the world's most popular sport, and this fact together with Beckham's ability to attract so many groups with varying demographics and psychographics, form a unique combination.

It's a combination that has been extremely profitable, both for football and sport in general, as well as Beckham personally, the clubs he's played at and the companies which have sponsored him. It's this combination that makes Beckham so attractive to the media and sponsors, and what makes him one of the most powerful personal brands in the world.

Beckham – a Galactico, model, or both?

On the pitch, Beckham has proved his worth for the clubs he has represented, but as a brand he has been priceless. He was the basis for Manchester United's rapid rise in popularity in South East Asia during the 1990s. And in 2003, when he became one of the so-called 'Galacticos' at Real Madrid for the princely sum of €35 million, there was much speculation that the Spanish club had bought a mannequin rather than a player. And with good reason: during four seasons with the club, Real Madrid sold €609 million worth of merchandise – an increase of 137 percent – and sold a million Beckham replica shirts in his first month at the club.

In the summer of 2007, Beckham moved to the US to play for LA Galaxy. For the club, the league, other clubs and the sponsors, signing Beckham was a dream come true. They had the possibility of associating themselves with one of the world's most attractive people. Interest in football – and the league – in the US increased. A bigger audience means more media coverage and therefore more sponsors, which means that all the conditions are in place. Beckham the person (not the sports star) is already known in this new market – at least as well known as the most famous stars in US sport. In research carried out by Davie Brown Entertainment, 51.9 percent of Americans knew who David Beckham was, compared with the 25 percent recognition of the basketball star Tim Duncan from the San Antonio Spurs, who was considered to be the best sportsman then competing in the US.

The strength of the Beckham brand is reflected in his contract, which is estimated to be worth €169 million over five years. Yet despite this outlay, it's still being seen as a lucrative deal for the club and its management group Anschutz Entertainment Group (AEG). Both AEG and Beckham receive a percentage of income from ticket sales, merchandise and sponsorship and LA Galaxy increased its sponsorship income for the 2007 season by €13.6 million. However, in autumn 2007, Beckham was not been playing so much for the team because of a leg injury.

Adidas, Pepsi and Motorola

Throughout his career, Brand Beckham has attracted sponsors. Multinational companies have recruited Beckham for his worldwide popularity and status, regardless

Brand Briefing 7.2 *continued*

of people's interest in football. Beckham's biggest personal sponsors are Adidas, Motorola, Pepsi and Coty, who between them pay him €13.6 million a year.

In the summer of 2003, Beckham and Adidas signed a lifetime contract estimated to be worth €2.7 million per year. In addition to this, Beckham is paid for the way in which Adidas uses his name, and even a percentage of sales. The strength of Brand Beckham is illustrated by the fact that Adidas sells more Beckham-associated products than products associated with all their other sponsored sportsmen combined.

The mobile phone company Motorola (with a contract between for 2006–08) uses Beckham as a global ambassador, focusing on the Asian market. In addition to the use of image rights, for which Beckham is used in advertising campaigns and point-of-sale merchandising, consumers are also offered screensavers, photos and films. Beckham also played a big role in the launch of (Moto)Red, a mobile phone created to play a part in the fight to prevent Aids in Africa.

These sponsors also see potential in Beckham's move to the US – Adidas and Motorola have both launched TV adverts – and he has signed a contract with Walt Disney, where he will feature in a 'Year of a million dreams' campaign aimed at building interest in Disney's theme parks.

The future

Beckham himself is also thinking strategically, by creating sub-brands of himself. In 2005, he started The David Beckham Academy with the pay-off 'Live out your dreams'. The academies – in London and Los Angeles and soon opening in Asia – focus on helping young players and are sponsored by Adidas and Volkswagen.

During 2007, Beckham launched his own perfume, together with his sponsor Coty. More such products from David and his wife Victoria can be expected.

Having conquered Europe, Asia and many other parts of the football world, the US provides exciting challenges. These include creating interest in Beckham among non-football fans and attracting more people to a game that is relatively small in America. Like Tiger Woods and Michael Jordan before him, Beckham needs to draw people to his sport, and his personality, who may not enjoy that sport. He needs to get people who have never seen him play (or seen anyone play for that matter), to be interested and passionate about the game. The Beckham's are regulars in the celebrity magazines together with their Hollywood friends such as Tom Cruise and Will Smith – surely a vital element in introducing the average American to the brand of Beckham.

Sources: www.sb.se; http://news.bbc.co.uk/sport1/hi/football/6969893.stm; www.davidbeckham.com; www.davidbeckhamacademy.com; www.forbes.com/facesinthenews/2007/07/07/; www.forbes.com/2005/04/01; www.forbes.com/facesinthenews/2007/01/29; http://money.cnn.com/2007/07/05; www.askmen.com/sports/business_100/101_sports_business.htm; www.forbes.com/services/2007/07/16; www.mobiledia.com/news/47595.html.

The following sections consider some of the ways by which secondary brand knowledge can become linked to a brand.

COMPANY

The branding strategies adopted by a company that makes a product or offers a service are an important determinant of the strength of association from the brand to the company and any other existing brands. Three branding options for a new product are:

- Create a new brand.
- Adopt or modify an existing brand.
- Combine an existing and new brand.

Existing brands may be related to the corporate brand (eg, Sony Ericsson and Nokia) or a specific product brand (eg, Sony Ericsson W900i mobile phone and Nokia N95) and may involve names, logos, symbols and so forth. To the extent that the brand is linked to another existing brand, then knowledge about the other brand may also become linked to the brand. In particular, a corporate or family brand can be a source of much brand equity. For example, as discussed in Chapter 11, a corporate brand may evoke associations of common product attributes, benefits, or attitudes; people and relationships; programmes and values; and corporate credibility. Brand Briefing 7.3 describes the corporate image campaign for Altoids Mints.

Brand Briefing 7.3

Altoids Mints with curiously interesting associations

In 1783, Smith Kendon, proprietor of the London firm Smith & Company, came up with the idea for an exceptionally intense mint lozenge. Originally marketed to relieve intestinal discomfort, by the 1920s, its advertising suggested that these mints could act as antidote to poisons in the stomach. This led to the start of the 'curiously strong' branding campaign that still defines the brand to this day.

The name Altoids was born out of the Latin 'alt' (to change) and the Greek 'oids' (taking the form of). Also, by the 1920s, to help protect the mints in pockets and handbags across the globe, the original cardboard box had been replaced by a distinctive metal tin. The mints are for sale in the US, the UK, Canada and South Korea, and are a market leader in the US. The brand was sold by Kraft to the Wrigley Company in 2004.

The 'curiously strong' branding has evolved to link to cultural experiences, such as design, art and cinema: there is an Altoids curiously strong designer award as well as an Altoids art forum, the curiously strong collection, and film making through the Altoids independent cinema project.

Brand Briefing 7.3 *continued*

Figure 7.7 Marketing of the Altoid brand

Altoids have used many interactive marketing initiatives such as inviting people to send 'singing love telegrams' to friends over the internet (Figure 7.7). The 'curiously strong' phrase has also been extended to include advertising themes of homosexuality, sadomasochism and transvestism, likely to offend some groups but on the other hand also likely to appeal to its target market (Figure 7.8).

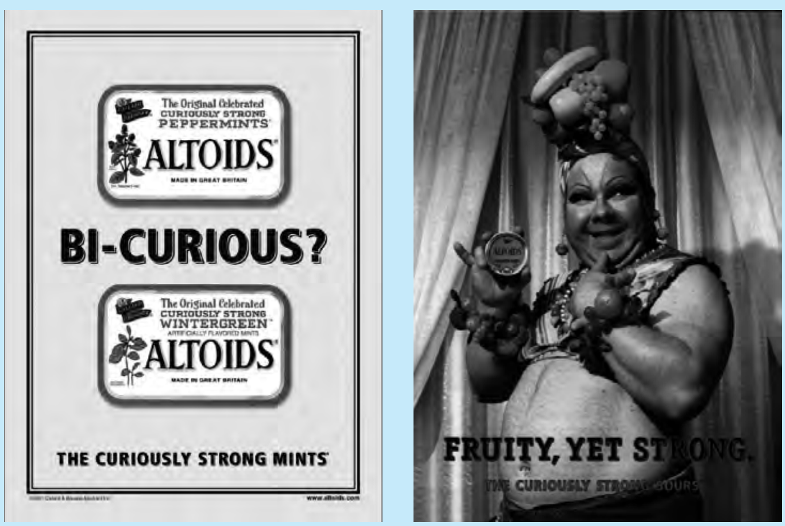

Figure 7.8 Controversial press adverts for Altoids

Brand Briefing 7.3 *continued*

Figure 7.9 Rebellious image exploited through hobby projects on the web

Oddly, the Altoid tin have become a useful item for hobby projects, such as pinhole cameras, housings for small amateur radios, MP3 players, cases for the Creative Zen Micro and Apple iPod music players (Figure 7.9), tobacco or marijuana smoking devices, and battery packs. Such innovations – and photos and instructions on the web about how to construct them – are brand linkages that build Altoid as an interesting, rebellious brand. Despite the curiously strong brand position it has attained, Altoids have experienced competition in the 'strong mint' market. The question some analysts have been asking is where to go from here – how can an edgy brand evolve to maintain market leadership?

Sources: www.altoids.com; www.wrigley.com; http://en.wikipedia.org/wiki/Altoids; Julie Jargon, 'Wrigley's new mints are curiously weak', *Chicago Business*, 7 January 2006; Tim Nudd, 'Altoids Sours decides that deviant sexual themes is the way to go', www.adfreak.com, 27 July 2006; www.flickr.com/groups/altoids/pool/

Using a corporate brand may not always be useful, however, depending on the awareness and image involved.

Chapter 11 considers the pros and cons of various branding strategies, including corporate and family branding strategies, and examines how different types of brand associations may potentially be linked to a product by using an existing brand to brand the new product.

Finally, it should be recognised that brands and companies are often unavoidably linked to the category and industry in which they compete, sometimes with adverse consequences. Consider the challenges faced by a brand in the oil and gas industry, which consumers generally view in a poor light. By virtue of membership in the category in which it competes, an oil company, a utility, or a telecommunication company may expect to face a potentially suspicious or sceptical public *regardless* of what it does.

Research from Reputation Institute 2007 with 60,000 consumers in twenty-nine countries reveals that different industries have different reputation, as measured by the RepTrak Pulse index. This estimates the health of a company's overall reputation by measuring the esteem, good feeling, trust and admiration that stakeholders feel towards a company.

Some industries are seen as more trustworthy, others as more risky; some are seen as profiteers, others are seen as more giving (Figure 7.10). All companies operate in an industry context – and either suffer or benefit from the positive or negative halo around the industry. Top-rated industries are consumer products, industrial products, beverage and electrical and electronics sectors. Industries with weak reputations are telecommunications, utilities, construction/engineering, information and media, and transport and logistics. Companies in these industries face a predicament in that consumers do not trust, like, or respect companies. A negative context makes it challenging for individual companies to create favourable regard. The financial

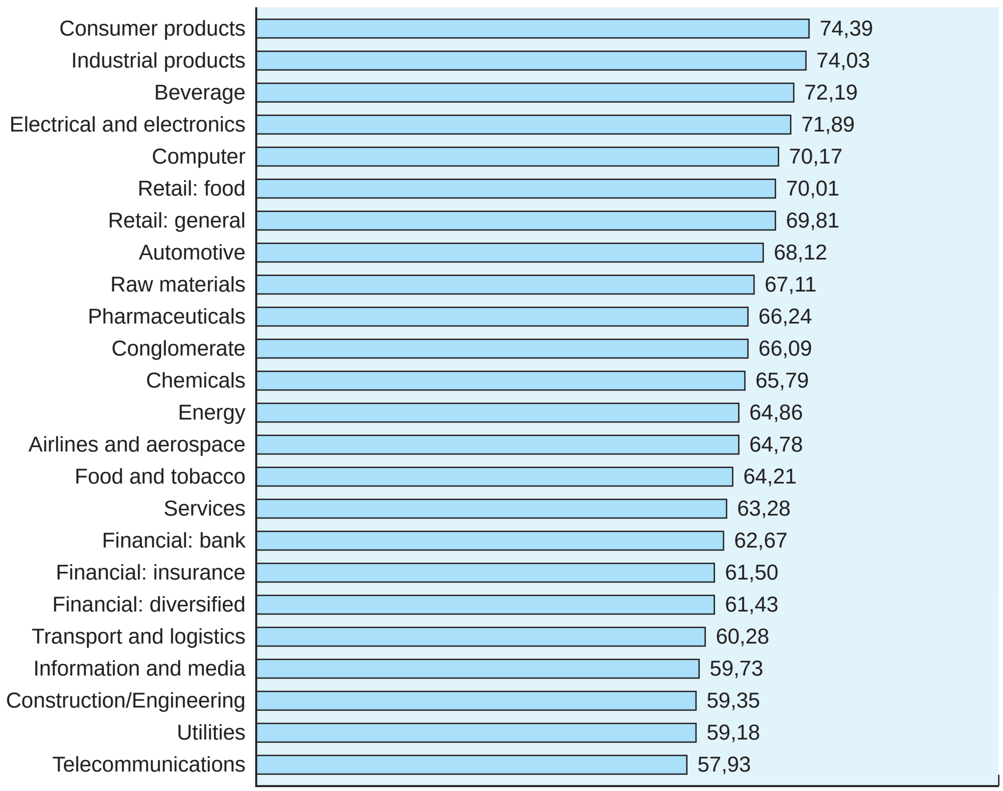

Figure 7.10 The reputation of different industries

Source: Reputation Institute, 2007.

services sector is a case in point. The different segments in the industry (banking, insurance and financial) are not highly regarded by consumers internationally, which creates challenges for companies operating in the sector.

COUNTRY OF ORIGIN AND OTHER GEOGRAPHIC AREAS

Besides the company that makes the product, the country or geographic location from which it is seen as originating may also become linked to the brand and generate secondary associations.[2] Many countries have become known for expertise in certain product categories or for conveying a particular type of image. As noted by many, the world is becoming a 'cultural bazaar' where consumers can pick and choose brands based on their beliefs about the quality of certain products from certain countries or the image that these brands or products communicate. Thus, a consumer from anywhere in the world may choose to wear Italian suits, exercise in US trainers, listen to a Japanese MP3 player, drive a German car, or drink English ale. Choosing brands with strong national ties may reflect a decision to maximize product utility and communicate self-image based on what consumers believe about products from those countries.

Thus, a number of brands are able to create a point of difference in part because of consumers' identification of and beliefs about the country of origin. For example, consider the following strongly linked brands and countries:

Ikea furniture: Sweden
Chanel perfume: France
Foster's beer: Australia
Barilla pasta: Italy
BMW: Germany
Dewar's whisky: Scotland
Kikkoman soy sauce: Japan
Bertolli olive oil: Italy
Gucci shoes and purses: Italy
Mont Blanc pens: Switzerland

Other geographic associations are possible, such as states, regions and cities. Establishing a geographic or country-of-origin association can be done in various ways. The location can actually be embedded in the brand name (eg, Idaho potatoes, Irish Spring soap, or South African Airways) or combined with a brand name in some way (eg, Bailey's Irish Cream). Also, a location may become the theme in brand advertising (eg, Foster's or Coors beer). Some countries have even created advertising campaigns to promote their products. For example, 'Rums of Puerto Rico' advertise that they are only the finest quality rums, leading to a 70 percent share of US brand sales in rums. Other countries have developed and advertised labels or seals for their products.[3] Brand Briefing 7.4 describes New Zealand's attempt to create a brand, 'The New Zealand Way.'

Because it is typically a legal necessity for the country of origin to appear visibly somewhere on the product or package, associations to the country of origin almost

Brand Briefing 7.4

Selling brands the New Zealand way

In 1991, New Zealand set out to create 'The New Zealand Way' (NZW) brand. The objective of the campaign was to build a national umbrella brand that added value to the marketing of products from New Zealand by differentiating them in international markets; raising the awareness of New Zealand's unique values and personality; and using the promotional activities of the New Zealand Tourism Board, Tradenz (a government trade development board) and manufacturers. The NZW brand was designed to position a broad range of the country's tourism and trade products and services at the forefront of world markets.

The focal point for communicating the personality and meaning of the NZW brand was to be the brand design and the campaign that was to be built around it. The three components of the NZW brand design were the brand logo, a descriptor word or short phrase (eg, quality), and the slogan, 'The New Zealand Way.' The descriptor words were to allow users of the NZW brand to customise it to suit their marketing programmes.

The campaign included public relations, direct marketing and events in important geographic markets. By 1998, more than 170 companies were licensed to use the New Zealand Way fern brand. Goods produced by these companies accounted for more than €2.9 billion, or 20 percent, of New Zealand's foreign exchange earnings that year.

2005 saw the launch of a new campaign for Brand New Zealand: 'New Zealand new thinking' which was described as follows:

> 'Brand New Zealand' aims to create a national brand that will differentiate New Zealand internationally, better support key sectors, and enhance New Zealand's established and emerging areas of competitive advantage.
>
> New Zealand New Thinking is the new positioning that has been developed to provide an umbrella positioning for New Zealand from an economic development perspective.
>
> The key goal is to ensure:
>
> New Zealand is recognised globally for the value its businesses and people bring to the world – through creativity, innovation and technology.
>
> For many years, common perceptions of New Zealand have revolved around its landscape and accompanying clean, green image. These are important but we also need convey a richer set of messages that create recognition for the broader characteristics that define our people, business and country.
>
> Raising global recognition of New Zealand's competitive edge through the New Zealand New Thinking programme will benefit every New Zealander by increasing opportunities for international trade and economic growth, securing foreign investment and enhancing New Zealand's attractiveness for skilled or business migrants.

Source: http://business.newzealand.com.

always have the potential to be created at the point of purchase and to affect brand decisions there. The question really becomes one of relative emphasis and the role of country of origin or other geographic regions throughout the marketing programme. Becoming strongly linked to a place is not without potential disadvantages. Events or actions associated with the country may colour people's perceptions. For example, strong connections to a country may pose problems if a company desires to move production elsewhere.

Waterford

Waterford Wedgwood P's ornate crystal had been promoted as the ultimate in Irish handmade luxury for decades. Ads called Waterford 'the ambassador of a nation' and attributed its brilliance to 'deep, prismatic cutting that must be done entirely by skilled hands rather than machines'. Because of cost considerations, Waterford had to confront the issue of shifting production out of Ireland and using machines to make some lines. In 2003, Wedgwood decided to close two factories in England and move production from Stoke-on-Trent to Asia. Waterford was encouraged to make such a move because of consumer research in the US – home to more than 70 percent of Waterford's crystal sales – that indicated that what mattered to its customers there was the Waterford label and not where the crystal was made. Nevertheless, many retailers worried that such a move could destroy the precious brand image that Waterford had built.

As the media landscape changes, so does the way we need to communicate to build Sweden, says the director-general of the Swedish Institute. Brand Briefing 7.5 describes the attempt to build Sweden as a modern country brand on second life.

Brand Briefing 7.5

Building Sweden as a brand on 'Second Life'

The Swedish Institute (SI) is a public agency that promotes Sweden as a brand, and interest in Sweden abroad. SI seeks to establish co-operation and lasting relations with other countries through active communication and cultural, educational and scientific exchanges. Its operations are carried out in co-operation with Swedish and foreign partners, as well as with embassies and consulates around the world. To achieve these goals, awareness of and interest in Sweden must first increase. One way to increase the awareness of Sweden was the inauguration of a virtual embassy in the online role-playing game *Second Life* in the spring of 2007.

'The role of the Swedish Institute is to generate goodwill and confidence in Sweden. As the media landscape changes, so does the way people gather information. It is important for us to be a part of these developments . . . It is a real pleasure to see that so much media, above all the foreign press, has recognised how progressive Sweden is. The great interest that this has generated in the media is estimated to have already paid off tenfold', says Olle Wästberg, director-general of the Swedish Institute.

Brand Briefing 7.5 *continued*

Figure 7.11 Inaguration ceremony at the Second House of Sweden on *Second Life*

The Second House of Sweden – Sweden's embassy in *Second Life* – opened its doors on 30 May 2007 (Figure 7.11). Sweden's minister for foreign affairs, Carl Bildt, cut the ribbon at an inauguration ceremony broadcast simultaneously to press conferences in Stockholm and Budapest.

The idea has generated great interest both in Sweden and abroad, according to Stefan Geens, project leader at the Swedish Institute: 'Now that we have a platform in *Second Life* to promote the culture and lifestyle of Sweden, many Swedish companies and organisations are interested in collaborating. Discussions are under way with a number of potential partners which enables SI to co-brand with other strong Swedish brands.'

Two examples: in collaboration with the Swedish Institute, the national museum in Stockholm is loaning some of its most famous works of art to the virtual embassy in *Second Life*. Since the 1880s, the museum has made loan deposits from its collections to various government bodies and museums. Today there are some 3,800 works of art that are on long loans to government premises in Sweden and Swedish embassies abroad.

Another co-branding is with the Swedish furniture retailer Ikea – which allows visitors to furnish their virtual homes in *Second Life*.

Sources: www.si.se; www.sweden.se/secondlife.

Finally, the favourability of a country-of-origin association must be considered both from domestic and foreign perspectives. In the domestic market, country-of-origin perceptions may stir consumers' patriotic notions or remind them of their past. As international trade grows, consumers may view certain brands as symbolic of their cultural heritage and identity. Patriotic appeals have been the basis of marketing strategies all over the world. Patriotic appeals, however, can lack uniqueness and even be overused. For example, during the Reagan administration in the 1980s, a number of US brands in a diverse range of product categories (eg, cars, beer and clothing) used pro-US themes in advertising, perhaps diluting the efforts of all as a result. The tragic events of 11 September 2001, raised the visibility of patriotic appeals again.

CHANNELS OF DISTRIBUTION

Chapter 5 described how members of the channels of distribution can directly affect the equity of the brands they sell by the supporting actions that they take. Because of the associations linked to shops in the minds of consumers, they can indirectly affect the brand equity of products they sell by influencing the associations inferred about these products. This section considers how shops can indirectly affect brand equity through this 'image transfer' process.

Because of associations to product assortment, pricing and credit policy, quality of service, and so on, retailers have their own brand images in consumers' minds. The Brand Briefing 7.6 summarises academic research into retailer images. Retailers create these associations through the products and brands they stock and the means by which they sell them. To more directly shape their image, many retailers advertise and promote directly to customers. The associations a shop has in the minds of

Brand Briefing 7.6

Understanding retailers brand image dimensions

Access

The distance that consumers must travel to shop is a basic criteria in their store choice decisions. Access is important in a consumer's assessment of total shopping costs and is especially important for retailers who wish to get a substantial share of trips by people who visit the store to buy a few specific things and small basket shoppers who buy a few things per visit.

Atmosphere

Elements of the shop, such as colour, music and crowding, can influence consumers' perceptions, whether or not they go in, how much time they spend in it, and how much money they spend. A pleasing atmosphere provides substantial hedonic utility (pleasure experience) to consumers and encourages them to visit more often, stay longer and buy more. Although atmosphere improves consumers' perceptions of the quality of merchandise, consumers also tend to associate it with higher prices. An appealing in-store atmosphere offers potential in terms of crafting a unique store image and establishing differentiation. Even if the products and brands stocked by a

Brand Briefing 7.6 *continued*

retailer are similar to others, the ability to create a strong in-store personality and rich experiences can play a crucial role in building retailer brand equity.

Price and promotion

A retailer's price image is influenced by attributes such as average prices, how much variation there is in prices over time, the frequency and depth of promotions and where a retailer positions itself on a continuum between EDLP (every day low price) and HILO (high-low promotional pricing). Consumers are more likely to develop a favourable price image when retailers offer frequent discounts on many products than when they offer less frequent, but steeper discounts. Further, products that have a high unit price and are purchased more frequently are more salient in determining the retailer's price image. One pricing format does not dominate another, but research has shown that large basket shoppers prefer EDLP stores while small basket shoppers prefer HILO, and it is optimal for the latter to charge an average price that is higher than the EDLP. Finally, price promotions are associated with switching stores but the effect is indirect, altering consumers' category purchase decisions while they are in the shop rather than altering their choice of which one to visit.

Cross-category assortment

Consumers' perception of the breadth of products and services offered significantly influence a retailer's image. A broad assortment can create customer value by offering convenience and ease of shopping. It is risky to extend too far too soon, but, staying too tightly coupled to an assortment and image may unnecessarily limit the retailer's range of experimentation. The logic and sequencing of a retailer's assortment policy are critical to its ability to expand its meaning and appeal to consumers over time.

Within-category assortment

Consumers' perceptions of the depth of a retailer's assortment within a product category are an important part of store image and a driver of choice. As the perceived assortment of brands, flavors and sizes increases, variety-seeking consumers will perceive greater utility; consumers with uncertain future preferences will believe they have more flexibility in their choices; and, in general, it is more likely that consumers will find the item they desire. A greater number of SKUs (stock-keeping units) need not directly translate to better perceptions. Retailers often can reduce the number of SKUs substantially without damaging consumer perceptions, as long as they pay attention to the most preferred brands, the organisation of the assortment and the availability of diverse product attributes.

Brand Briefing 7.6 *continued*

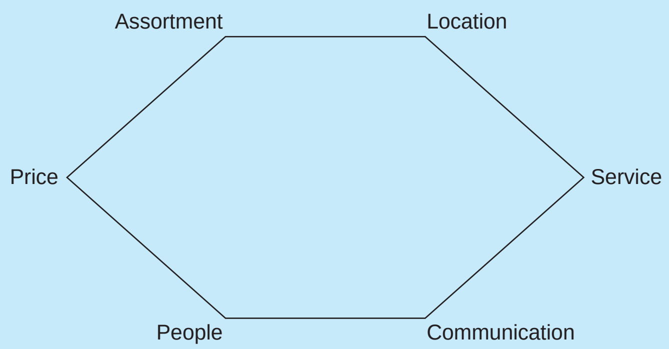

Figure 7.12 ICA's Hexagon model of food retailing

ICA, a retailer with almost half of the Swedish grocery market, is part of the Dutch Ahold group and has developed a hexagon model of how stores compete in local markets (Figure 7.12). The model was developed by Mikael Hernant at ICA. When the model is used, the points on each corner are scored on a scale from 1 to 5.[4]

1. Location: the most important factor in the model.
2. Assortment: the depth and breadth of the food and non-food stocked in all categories, and how it is presented.
3. Price: the general price level and the intensity of price competition.
4. People: the 'soft' service that employees provide to the customers.
5. Service: the hard service, such as the number of tills, opening hours, additional services and internet delivery.
6. Communications: activities used to communicate with customers.

Sources: Tony Apéria, 'Brand relationship management: den varumärkesbyggande processen', (doctoral thesis), Stockholm: Stockholm University, 2001. Kusum L. Ailawadi and Kevin Lane Keller, 'Understanding retail branding: conceptual insights and research priorities', *Journal of Retailing*, 80, (2004), 331–342. 'Developing parsimonious retailer equity indexes using partial least-squares analysis: a method and applications', *Journal of Retailing*, 79 (2003), 161–170.

consumers may be linked to the products they sell or affect brand associations for these products. For example, a consumer may infer certain characteristics about a product on the basis of where it is sold, for example: 'If it is sold by Harrods, it must be of good quality and if it is sold by Aldi it must be of lower quality.' The same brand may be perceived differently depending on whether it is sold in a store seen as prestigious and exclusive or in one seen as designed for bargain shoppers and having more mass appeal.

Store image associations can be either benefit or hurt a brand. For many high-end brands, a natural growth strategy is to expand their customer base by tapping new channels of distribution. Such strategies can be dangerous, however, depending on how customers and retailers react. When Levi Strauss, decided to expand the distribution channels in the US for its jeans in the early 1980s to includes mass-market chains Sears and Penney's, RH Macy's decided to drop the brand because it felt its image had been cheapened. A brand revitalisation programme in the mid-1980s brought the jeans back into the department store chain, and Levi's was careful to sub-brand its 2003 entry into discount retailers Target and Wal-Mart as Levi Strauss Signature.

Brand Briefing 7.7 describes the battle between US fashion companies Calvin Klein and Warnaco that revolved around the appropriateness of retail distribution for the Calvin Klein brand.

Brand Briefing 7.7

Calvin Klein and Warnaco's battle of the brands

From a humble start as a designer of women's coats, Calvin Klein bred a fashion empire with the help of savvy, high-image and often risqué marketing created by his in-house CRK Advertising team. Calvin Klein started the designer jeans craze in the late 1970s with ads that featured teenage actress Brooke Shields claiming that nothing came between her and her Calvins. Ads in 1985 for Obsession perfume depicted a provocative 'pseudo-orgy', and the fragrance quickly became the number two seller in the country. Klein touched off a scandal and an FBI investigation in 1995 when many of his jeans ads were labelled pornographic and exploitative because they contained revealing images of underage models. Through success and scandal, Calvin Klein remained one of the foremost names in US fashion.

Business success was fuelled in part by licensing of his name for products other than the seasonal designer clothing that made Calvin Klein a household name. For every €2,000 dress sold at Galleria Vittorio Emanuele in Milan, many more pairs of €35 jeans, €10 cotton briefs and €30 bottles of perfume bearing the CK logo passed through tills in shops across the globe. Calvin Klein and his team design the products and licensees take care of the logistics of manufacturing, distribution and retail contracts. Although licensing his name led to millions in profits, it also reduced the control Calvin Klein had over his brand.

In a move that set off a legal dispute, Calvin Klein sued licensee Warnaco in June 2000 for 'improper sales' to US discounters such as Costco and Sam's Club. Calvin Klein alleged that by 'producing jeans and underwear expressly for downmarket discount stores', the licensee was 'cheapening' the brand. In particular, Klein found fault with Warnaco's decision to sell CK underwear to low-cost retailer JC Penney. Other Calvin Klein retail accounts, such as Dillard's and Federated department stores, were angered by this decision and threatened to halt orders of CK underwear.

Brand Briefing 7.7 *continued*

The suit claimed that Warnaco had been pushing CK merchandise into other low-cost retailers without permission.

A month after Klein's filing, Warnaco countersued, charging Calvin Klein with violating the licence agreement. Linda Wachner, chief of Warnaco, defended her company's sales to discounters by saying, '[Calvin Klein] gets a full list every year of every account and every shipment, of every dollar.' Warnaco's countersuit also accused Calvin Klein of trade libel and bad-faith dealing, claiming the designer had failed to attend a design meeting for over a year.

The two sides settled as the case was going to trial in 2001, and the licence remained intact. Warnaco agreed not to sell CK jeanswear and underwear to JC Penney, but was allowed to continue selling to discount retailers Costco, Sam's Club, and BJ's at 'dramatically reduced volume'. Other terms of the settlement effectively gave Calvin Klein more control over Warnaco's dealings with the brand.

Phillips-Van Heusen acquired Calvin Klein in 2003 for a deal worth €511 million that gave it the rights to the brand name, the collection business and the brand's related licensing revenue. By then Wachner had been ousted and relations between Warnaco and the new brand owners were seen to be positive.

Sources: Teri Agins, 'Calvin Klein, Warnaco settle their bitter feud,' *Wall Street Journal*, 23 January 2001; Teri Agins and Rebecca Quick, 'Illegal briefs?' *Wall Street Journal*, 1 June 2000; Lisa Marsh, 'To where from eternity?' *Sunday Herald*, 28 September 2003.

CO-BRANDING

As noted previously, a new product can become linked to an existing corporate or family brand that has its own set of associations through a brand extension strategy. A brand can also use associations by linking itself to other brands from the same or different company. *Co-branding* – also called brand bundling or brand alliances – occurs when two or more brands are combined into a joint product or are marketed together in some fashion.[5] A special case of this strategy is ingredient branding, which is discussed in the next section.[6]

Co-branding has been a way to increase the scope and influence of a brand, enter new markets, embrace new technologies, reduce costs and refresh brand image. It has has become a widely used business strategy in the food, drinks, retailing, air travel and financial industries. One example of co-branding is the co-operation between Le Cordon Bleu (a French culinary academy) and Tefal (a leading French cookware manufacturer). The familiar Cordon Bleu brand helped to build awareness for the Tefal Integral product. Two other examples are the co-operation between

Mercedes-Benz and Swatch to launch a car and Intel's co-operation with computer manufacturers. Credit card companies such as Mastercard, Visa, AmEx and Diners are all veterans in co-branding. In this market, co-branding often involves three brands (eg, Shell MasterCard from Citi Cards). The basis for any co-operation is that synergy creates value for both parties, over and above the value they would expect to generate on their own. Co-branding has been around for years; for example, in the US, Betty Crocker paired with Sunkist Growers in 1961 to market a lemon chiffon cake mix.[7] With airlines, alliances can involve a host of brands, such as Star Alliance, which includes seventeen airlines. By joining any of the seventeen airlines the members of the frequent flyer programme can earn miles or points.

Brand Briefing 7.8 describes how the leading European bicycle company Cycleurope has used co-branding with Emporio Armani and Ducati to strengthen the Italian bicycle brand Bianchi.

Brand Briefing 7.8

Bianchi's co-branding with Emporio Armani and Ducati

Cycleurope, part of Grimaldi Industry, is a consolidation of companies and has evolved through acquisitions of strong bicycle brands. In the beginning, Cycleurope only had a Scandinavian presence. Today the group is the leading European bicycle maker with a turnover of €280 million (Figure 7.13).

Cycleurope has a strong brand portfolio with market-leading brands such as Bianchi (Italy), Gitane (France), Crescent (Sweden), Monark (Sweden), DBS (Norway) and Kildemoes (Denmark). Bianchi is Cycleurope's premium brand and one of the best-known bicycle brands in the world with about half of the racing market. Cycleurope wanted Bianchi to be present in all markets where the company was operating, and positioned in the premium segment in each market. Bianchi was seen as the flagship in the brand portfolio.

Bianchi has a history in Italy that goes back to 1885. Bianchi stands for technology, innovation, quality and tradition. Bianchi is about giving passion to the people and the vision is to be the leading bicycle brand when it comes to quality, success in competition and setting innovative trends. Bianchi is a premium brand with a

Figure 7.13 Cycleurope logo

Brand Briefing 7.8 *continued*

certain exclusivity. Not everybody can afford it, and not everybody needs it, only the passionate bicyclists and the professionals.

To complement marketing for the Bianchi brand, the Cycleurope management tries to create dynamics to the brand using co-branding. The co-branding partners must be of such character that they create a special interest for the co-branded products. Under the concept 'Made in Italy' Italian co-branding partners were chosen, among them Ducati and Emporio Armani. Both these brands, like Bianchi, have a long history in Italy, both these brands are considered to be premium and very well known, but there were different strategies behind these choices. With Ducati, the purpose was to strengthen the association to road racing, while the purpose of Emporio Armani was to gain more fashion and trend associations to the Bianchi brand.

Strengthening associations through Bianchi-Ducati

Ducati could be seen as the king of motorbike racing. Both Bianchi and Ducati are in the racing segment, but in different markets, bicycles and motorcycles. The Bianchi-Ducati bicycle was made in a very limited quantity and was sold, at a premium price of €5,500 only through the Ducati website (Figure 7.14). 'The purpose to co-brand with Ducati from the Bianchi side was to strengthen the current position and associations to road racing, rather than creating new associations for the Bianchi brand', says Tony Grimaldi, chief of Cycleurope.

New associations through Bianchi-Emporio Armani

Emporio Armani is a fashion brand, associated with highly respected designers and, seen to be a trend setter for clothes. The purpose to co-brand with Emporio Armani was to create new associations, and to create design, fashion and trend associations

Figure 7.14 Co-branding Bianchi-Ducati

Brand Briefing 7.8 *continued*

Figure 7.15 Co-branding Bianchi-Emporio Armani

for the Bianchi brand. To build exclusivity and to strengthen the new associations for the Bianchi brand, Bianchi-Emporio Armani bicycles were only sold in selected Emporio Armani stores (Figure 17.15). The bicycles were launched together with the new sport collection of Emporio Armani.

'The purpose of the Bianchi-Empori Armani co-branding, from the Bianchi point of view, was foremost to gain more design associations to the Bianchi brand,' says Grimaldi. The bicycle was produced in a limited quantity and sold for a premium price €1,000.

Source: Interview with Tony Grimaldi, chief executive, Cycleurope, 25 July 2007. Christian Sandberg, 'Brand-driven business development,' thesis, Nordic Brand Academy.

Motorola co-branded an Mp3-enabled phone with Apple iTunes, the ROKR, to emphasise the music player aspect of the phone. Sony Ericsson and Nokia uses Carl Zeiss lenses in their phones to add credibility to the camera (and Sony Ericsson through Sony, owns and uses the Walkman brand for mobile music players, including phones). Co-branding is also common in business-to-business settings, where companies discover that their capability might not always be in line with their credibility: co-branding can help in such situations. Cisco Systems, for instance, uses different 'relationship logos' to support its partners. The Cisco logo co-operation gives partners opportunities to demonstrate their relationship with Cisco while strengthening the Cisco brand.

Brand Briefing 7.9 describes how the chocolate bar Daim used line extensions, co-branding, and ingredient branding to travel from the chocolate category to other categories such as ice-cream, cake and biscuits.

Brand Briefing 7.9

Co-branding of the Daim bar

The Daim bar was born in 1953. It has gone from a strong domestic Swedish position, as a chocolate bar, to become an international brand covering categories such as chocolate, ice-cream, coffee, cake and biscuits. Today, Daim is the largest chocolate brand in the Nordic region, and the best-selling ice-cream cone in Sweden. Since 1993, Daim has been part of Kraft Foods, which has enabled Daim to become a global brand.

Daim contains a combination of crunchy, almond-flavoured toffee and chocolate (see Figure 7.16). It was clear to management that there were significant export opportunities, as well as extension opportunities for the brand. Over the years there have been changes of the packaging, and the name to make the brand more consumer relevant. The name changed from Dajm to Daim in 1990, and packaging changed colour from brown to red in 1993.

Brand-driven development

The Daim management has developed the brand through line extensions within the same category; category extensions to ice-cream, cake, biscuits with brands from companies such as Unilever, McDonald's, Mandelbageriet and Bonjour); and category extensions and ingredient branding with other Kraft brands within chocolate and coffee.

Line extensions Even though the product has remained the same, Daim has developed over the years. In the beginning it was only available in 29 gram pieces. To get more shelfspace, the packaging was developed to include two-pack, three-pack and five-pack variants. 1998 saw the launch of a 'limited edition' Daim Orange, a strategy often used to stimulate interest in the brand. Important milestones have been the launch of Daim Double in 1971, Daim Mini in 1974, Daim individual sweets in 1992 and the start of using the strategy with limited editions in 1998.

Figure 7.16 The Daim bar; old packaging and redesign in 1993

Brand Briefing 7.9 *continued*

Category extensions The first co-branded extension was ice-cream (in a family-sized package) in 1974 with Unilever. It became a big success so it enabled a second launch in ice-cream – the Daim ice cream cone in 1987 (also with Unilever). The McFlurry co-operation with McDonald's started in 1999, and the co-operation with Mandelbageriet for the (Figure 7.17) Almondy Daim cake and Bonjour biscuits in 2001. The purpose of the alliances has been to extend the Daim brand from chocolate to other categories (chocolate in not consumed in the summer as ice-cream is). To get more shelfspace in the frozen ice-cream shelf, a Daim cone mini-pack was launched.

In 2001, the company's third cake was launched, combining the Daim bar with an almond cake recipe. Another cake was introduced by Almondy in 2003 using Snickers in the recipe.

Research from Stockholm University showed that Daim ice-cream cone and McFlurry were seen as having high quality and created overall positive associations. These two products provide a sort of individual utiliaritian satisfaction. The research also indicated that there seemed to be a logical connection between ice-cream and individual confectionaries.

Category extensions and ingredient branding with other Kraft brands Kraft uses Daim for internal co-branding Daim is used as an ingredient brand within other strong brands within chocolate and coffee. Two recent examples are together with Marabou and Gevalia within chocolate (Sweden) and Jacobs Cappucino coffee (Austria) and Gevalia Cappucino coffee (Sweden). The new concept Daim Inside has

Figure 7.17 Category extensions with brands from other companies

Brand Briefing 7.9 *continued*

Figure 7.18 Category extensions and ingredient branding with Kraft brands

been developed for the ingredient strategy. This means that Daim is trying to establish a position within the coffee category. Daim is also sold at every Ikea store (Figure 7.18).

Sources*:* Tony Apéria, 'Brand relationship management: den varumärkesbyggande processen', doctoral thesis, Stockholm: Stockholm University, 2001; Tony Apéria, and Rolf Back, *Brand Relations Management: Bridging the gap between brand promise and brand delivery*: Liber, Sweden: 2004; Forsberg, Kennbert, and Windahl, 'Varumärkesalliansers imagepåverkan på ledarvarumärket: en fallstudie av Daim och dess varumärkesallianser', Stockholm University School of Business, 2002; www.kraftfoods.com; www.qffintl.com/pdf/july_2005/6074.cfm; www.qffintl.com/pdf/july_2005/6074.cfm.

Figure 7.19 summarises the advantages and disadvantages of co-branding and licensing. The main advantage to co-branding is that a product may be uniquely and convincingly positioned by virtue of the brands involved. Co-branding can create more compelling points of difference or points of parity, or both, for the brand than might have been otherwise feasible. As a result, co-branding can generate greater sales from the existing target market as well as open up opportunities with new consumers and channels. Co-branding can reduce the cost of product introduction because two well-known images are combined, accelerating potential adoption. Co-branding also may be a valuable means to learn about consumers and how other companies approach them. In poorly differentiated categories especially, co-branding may be an important means of creating a distinctive product.

Advantages	Disadvantages
Borrow needed expertise	Loss of control
Leverage equity you don't have	Risk of brand equity dilution
Reduce cost of product introduction	Negative feedback effects
Expand brand meaning into related categories	Lack of brand focus and clarity
Broaden meaning	Organisational distraction
Increase access points	
Source of additional revenue	

Figure 7.19 Advantages and disadvantages of co-branding and licensing

The potential disadvantages of co-branding are the risks and lack of control that arise from becoming aligned with another brand in the minds of consumers. Consumer expectations about the level of involvement and commitment with co-brands are likely to be high. Unsatisfactory performance thus could damage the brands involved. If the other brand is one that has entered into a number of co-branding arrangements, there also may be a risk of overexposure that would dilute the transfer of any association. It may also result in distraction and a lack of focus on existing brands.

Guidelines

Brand Briefing 7.10 provides insight as to how consumers evaluate co-branded products. To create a strong co-brand, it is important that both brands entering the agreement have adequate brand awareness; sufficiently strong, favourable and unique associations; and positive consumer judgements and feelings. Thus, a necessary but not sufficient condition for co-branding success is that the two brands separately

Brand Briefing 7.10

Understanding brand alliances

Brand alliances, in which two brands are combined in some way as part of a product or some other aspect of the marketing programme, come in all forms. Academic research has explored the effects of co-branding, ingredient branding strategies and advertising alliances.

Co-branding

Park, Jun, and Shocker compare co-brands to the notion of 'conceptual combinations' in psychology. A conceptual combination (eg, 'apartment dog') consists of a modifying concept, or 'modifier' (eg, *apartment*) and a modified concept, or

Brand Briefing 7.10 *continued*

'header' (eg, *dog*). Experimentally, Park and his colleagues explored the ways that Godiva (associated with expensive, high-calorie boxed chocolates) and Slim-Fast (associated with inexpensive, low-calorie diet food) could hypothetically introduce a chocolate cake mix separately or together through a co-brand.

They found that a co-branded version of the product would be better accepted than if either brand attempted to extend individually into the cake mix category. They also found that consumers' impressions of the co-branded concept were driven by the header brand (eg, Slim-Fast chocolate cake mix by Godiva was seen as lower calorie than if the product was called Godiva chocolate cake mix by Slim-Fast; the reverse was true for associations of richness and luxury). Similarly, consumers' impressions of Slim-Fast after exposure to the co-branded concept were more likely to change when it was the header brand than when it was the modifier brand. Their findings show how carefully selected brands can be combined to overcome potential problems of negatively correlated attributes (eg, rich taste and low calories).

Simonin and Ruth found that consumer attitudes toward a brand alliance could influence subsequent impressions of each partner's brands (such that spillover effects existed), but that these effects also depended on other factors such as product fit or compatibility and brand fit or image congruity. Brands less familiar than their partners contributed less to an alliance but experienced stronger spillover effects than their more familiar partners. Relatedly, Voss and Tansuhaj found that consumer evaluations of an unknown brand from another country were more positive when a well-known domestic brand was used in an alliance.

Levin and Levin explored the effects of dual branding, which they defined as a marketing strategy in which two brands (usually restaurants) shared the same facilities while providing consumers with the opportunity to use either one or both brands. Kumar found that introducing co-branded extension into a product category made it less likely that brand from the new category could turn around introduce a counterextension into the original product category.

Ingredient branding

Desai and Keller conducted a laboratory experiment to consider how ingredient branding affected consumer acceptance of an initial line extension, as well as the ability of the brand to introduce future category extensions. Two types of line extensions, defined as brand expansions, were studied: *slot filler expansions*, in which the level of one existing product attribute changed (eg, a new type of scent in Tide detergent); and *new attribute expansions*, in which a new attribute or characteristic was added to the product (eg, cough relief liquid added to LifeSavers sweets). Two types of ingredient branding strategies were examined by branding the target attribute ingredient for the brand expansion with either a new name as a *self-branded*

Brand Briefing 7.10 *continued*

ingredient (eg, Tide with its own EverFresh scented bath soap) or a well-respected name as a *co-branded ingredient* (eg, Tide with Irish Spring scented bath soap).

The results indicated that with slot filler expansions, although a co-branded ingredient facilitated initial expansion acceptance, a self-branded ingredient led to more favourable subsequent extension evaluations. With more dissimilar new attribute expansions, however, a co-branded ingredient led to more favourable evaluations of both the initial expansion and the subsequent extension.

Venkatesh and Mahajan derived an analytical model based on bundling and reservation price notions to help formulate optimal pricing and partner selection decisions for branded components. In an experimental application in the context of a university shop selling laptop computers, they showed that at the bundle level, an all-brand Compaq PC with Intel 486 commanded a clear price premium over other options. The relative brand strength of Intel, however, was shown to be stronger in some sense than that of the Compaq brand.

Advertising alliances

Samu, Krishnan, and Smith showed that the effectiveness of advertising alliances for new products depended on the interactive effects of three factors: the degree of complementarity between the featured products; the type of differentiation strategy (common versus unique advertised attributes with respect to the product category); and the type of ad processing (top-down or bottom-up) that an ad evoked (eg, the explicitness of the ad headline).

Sources: Akshay R. Rao, 'Strategic brand alliances,' *Journal of Brand Management* 5, no. 2 (1997): 111–119; Akshay R. Rao, L. Qu, and Robert W. Ruekert, 'Signaling unobservable product quality through a brand ally,' *Journal of Marketing Research* (May 1999): 258–268; Allen D. Shocker, Raj K. Srivastava, and Robert W. Ruekert, 'Challenges and opportunities facing brand management: an introduction to the special issue,' *Journal of Marketing Research* 31, no. 5 (1994): 149–158; Tom Blackett and Bob Boad, *Co-Branding: The science of alliance*, St. Martin's Press, 1999; C. Whan Park, Sung Youl Jun, and Allan D. Shocker, 'Composite Branding Alliances: An Investigation of Extension and Feedback Effects,' *Journal of Marketing Research* (November 1996): 453–467; Bernard L. Simonin and Julie A. Ruth, 'Is a company known by the company it keeps? assessing the spillover effects of brand alliances on consumer brand attitudes,' *Journal of Marketing Research* 35, no. 2 (1998): 30–42; Kevin E. Voss and P. Tansuhaj, 'A consumer perspective on foreign market entry: building brands through brand alliances,' *Journal of International Consumer Marketing* 11, no. 2 (1999): 39–58; Irwin P. Levin and Aron M. Levin, 'Modeling the role of brand alliances in the assimilation of product evaluations,' *Journal of Consumer Psychology* 9, no. 1 (2000): 43–52; Piyush Kumar, 'The impact of cobranding on customer evaluation of brand counterextensions,' *Journal of Marketing*, 69 (July), 2005: 1–18; Kalpesh Desai and Kevin Lane Keller, 'The effects of brand expansions and ingredient branding strategies on host brand extendibility,' *Journal of Marketing*, 66 (January 2002), 73–93; R. Venkatesh and Vijay Mahajan, 'Products with branded components: an approach for premium pricing and partner selection,' *Marketing Science* 16, no. 2 (1997): 146–165; Sridhar Samu, H. Shanker Krishnan, and Robert E. Smith, 'Using advertising alliances for new product introduction: interactions between product complementarity and promotional strategies,' *Journal of Marketing* 63, no. 1 (1999): 57–74.

have brand equity. The most important requirement is that there is a logical fit between the brands such that the combined brand or marketing activity maximises the advantages of the individual brands while minimising the disadvantages.

Swatch

Eyebrows were raised when DaimlerChrysler's Mercedes Benz unit agreed to manufacture a 'Swatchmobile', named after SMH's colourful and fashionable lines of Swatch watches.[8] Personally championed by SMH's charismatic chairman, Nicolas Hayek, the Smart Car, as it came to be known, was designed to be small (about 3 metres long) and low cost (under €7,300). The car combined the three most important features of Swatch watches—'affordability', 'durability', and 'stylishness'—with an important feature of a Mercedes car—'safety and security in a crash'. Critics believed the Mercedes image could suffer if the car was unsuccessful, which was a possible outcome given that many products bearing the Swatch name (eg, Swatch branded clothes, bags, telephones, pagers and sunglasses) saw disappointing sales or were dropped altogether. Swatch sold its share of the Smart Car business to DaimlerChrysler in 1998. The Smart Car became popular in Europe, however, selling over 130,000 units in 2004. The car has not made a profit but the brand is alive and it is expected to be launched in the US in spring 2008.

Besides these strategic considerations, co-branding ventures must be entered into and executed carefully. Brand Briefing 7.11 describes two criteria that define a co-operation continuum for co-branding. Brand Briefing 7.12 describes some of DuPont co-branding and licensing experiences. DuPont is one of the most known and successful ingredient brand marketers. Fundamentally, there must be the right kind of fit in values, capabilities, and goals in addition to an appropriate balance of brand equity. Executionally, there must be detailed plans to legalise contracts, make financial arrangements, and co-ordinate marketing. As one executive at the US brand Nabisco put it; 'Giving away your brand is a lot like giving away your child – you

Brand Briefing 7.11

Co-branding and other forms of co-operation

Blackett and Russel have tried to define co-branding. According to them, it is useful to discriminate between co-branding, joint promotions, alliances and joint ventures. In its purest form, co-branding embraces a collaborative venture designed to advance the interest of the parties in a strategic fashion. The intention of the parties is to create something new which falls outside their individual areas of expertise and capability. Two criteria are used to define all these different forms of co-operative ventures. The first is the expected duration of the relationship and the second is the amount of value that can be created in the co-operation. Linking these two criteria can result in a co-operation continuum that is generally described as co-branding (Figure 7.20).

Brand Briefing 7.11 *continued*

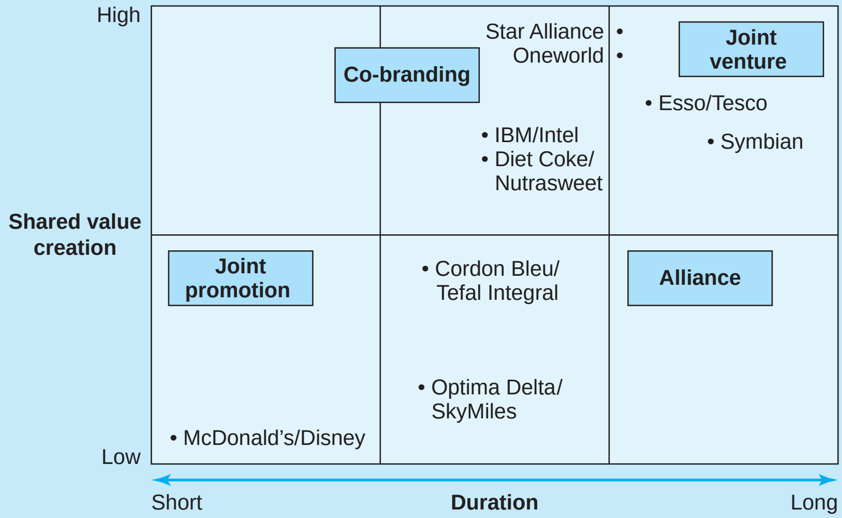

Figure 7.20 Co-branding in relation to other form of co-operative venture

First criterion: duration

Duration can vary from a couple of months to more than ten years. It all depends on the lifecycle of the products and the characteristics of the market. At one extreme there is the short-term joint-promotion of McDonald's and Disney, which may last a couple of months while a new film is promoted. At the other extreme is the long-term joint venture between Mercedes-Benz and Swatch. In between, there are co-branding arrangements. Longer term co-operations generally imply more extensive sharing of expertise and assets.

Second criterion: shared value creation

After examining a variety of co-operations, Blackett and Russel came to the conclusion that there was a hierarchy of types of shared value creation. They discuss four types of shared value creation (Figure 7.19):

- Reach/Awareness co-branding. The lowest level of co-branding occurs in situations were the parties want to increase their awareness through exposure to a partner's customer base. Many credit card companies in co-operation with other parties do this. One example is AmEx co-operation with Delta Airlines SkyMiles programme, were members gained SkyMiles in return for money spent using the card. At this level, each of the partners gets benefits and revenue opportunities including, but not confined to, awareness.
- Values endorsement co-branding. This level includes the endorsement of brand values and positioning. Examples are many charities that have launched co-branded

Brand Briefing 7.11 *continued*

affinity cards. The underlying concept for this type of co-operation is that the bank gives a portion of the transaction back to the charity as commission. There are similarities between this arrangement and with sponsorships, in which the company donates to a worthy purpose in return for good publicity. The essence, of this type, is that the company wants to achieve alignment of the brand values in the customer's mind.

- Ingredient co-branding. Here, there is an identifiable component contained in the product or the service. Some typifying examples of ingredient branding are Intel Inside, and Coke Light with Nutra Sweet. Ingredient brands are also often used in the car industry where manufacturers want to attach strong emotions and values to the car. The essence, of this type, is that the maufacturer uses and promotes branded components whose own brand image reinforces the desired attributes and values.
- Complementary competence co-branding. At the highest level of co-branding, two complementary brands combine to produce a product that is more than the sum of the parts. Each partner relies on the other committing a selection of its skills and competencies to that product (Figure 7.21). One example from the UK is the co-operation between Esso and Tesco Express that started in 1997. The intention was to develop the joint offer of supermarket products and petrol filling stations. Both parties bring their expertise, knowledge and competencies, from different areas, to the concept. Tesco would operate the store under the Tesco

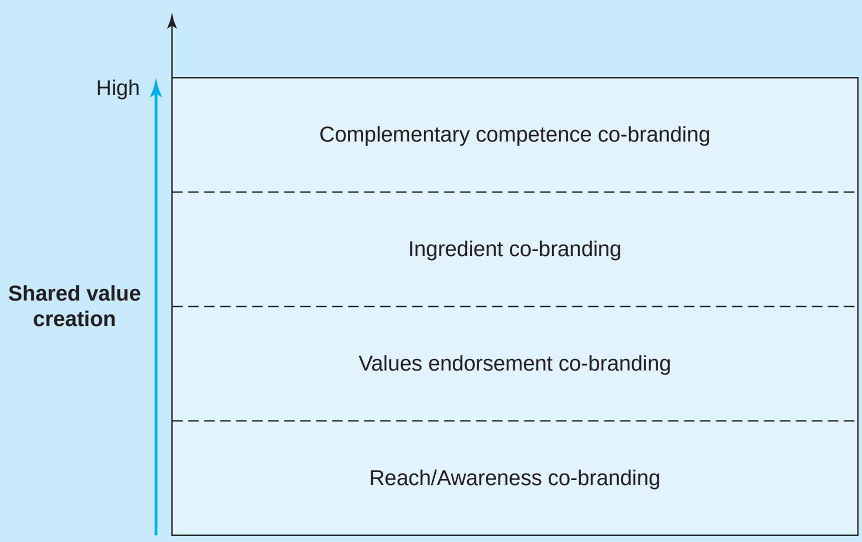

Figure 7.21 Hierarchy of types of value creation sharing in co-operative relationships

Brand Briefing 7.11 *continued*

Express format. In turn, Esso would operate the forecourts and sell fuel via the Tesco store. This level needs both parties to be involved in a broad commitment.

Blackett and Russel use the marriage metaphor to describe co-branding. There will be hard feelings and problems in a marriage, and there will be a need for equal contribution and investment. You have to work on the marriage to make it work. Unlike marriage, co-branding can be deliberately short term in nature. It all depends on the durability of the opportunity.

They conclude: 'Co-branding – like marriage – is not something to be entered into unadvisedly, lightly, or wantonly; it is a very serious business enterprise involving key assets of the parties involved. The care of these assets over the course of the relationship – and beyond – must be the uppermost in the minds of the partners, and the very first item on the "heads of agreement".'

Source: Tom Blackett, and Nick Russell, 'What is cobranding? 'in Tom Blackett, and Bob Boad (eds.), *Co-Branding: the science of alliances*, London: Macmillan Business, 1999.

Brand Briefing 7.12

Ingredient branding the DuPont way

One of the most successful ingredient brand marketers is DuPont, which was founded in the US as a black-powder manufacturer in 1802 by Frenchman E. I. duPont de Nemours. The company introduced innovative products for use in markets ranging from clothing to aerospace. Many of its innovations, such as Lycra and Stainmaster fabrics, Teflon coating and Kevlar fibre, became household names as ingredient brands.

Early on, DuPont learned an important branding lesson the hard way. Because it did not protect the name of its first organic chemical fibre, nylon, it could not be used as a trademark and became generic. However, by 2004, DuPont sold 30,000 products across 1,500 different product lines, and used 2,000 unique brands and 15,000 different brand registrations to support these products.

These innovations were the result of the company's massive R&D programme (€870 million spent in 2006). DuPont has seventy-five R&D facilities, including thirty-five outside the US. These sites are staffed by nearly 2,000 scientists and researches – including six hundred with PhDs – who work to pursue science-based solutions for global markets. When the company began to focus on revitalising its

Brand Briefing 7.12 *continued*

R&D in early 2000, 40 percent of its technology resources and assets were dedicated to growth; the rest supported existing products and operations. By 2005, 65 percent of the company's research was focused on growth. Dupont plans to double global investment in research and development by 2015 as its works to meet its energy sustainability goals, including investment in China.

Ingredient brands include Supro isolated soy proteins, used in food products, and RiboPrinter genetic fingerprinting technology. A question DuPont constantly confronts is whether to brand a product as an ingredient brand. To address this question, DuPont typically applies several criteria, both quantitative and qualitative.

- On the quantitative side, DuPont has a model that estimates the return on investment of promoting a product as an ingredient. Inputs to the model include resource allocations such as advertising and trade support, while outputs relate to favorability ratings and potential sales. The goal of the model is to determine whether branding an ingredient can be financially justified, especially in industrial markets.
- On the qualitative side, DuPont assesses how an ingredient brand can help a product's positioning. If competitive and consumer analyses reveal that conveying certain associations would boost sales, DuPont is more likely to brand the ingredient. For example, one reason that DuPont launched its stain-resistant carpet fibre under the ingredient brand Stainmaster was that the company felt a 'tough' association would be highly valued in the market.

DuPont maintains that its ingredient branding strategy leads to competitive advantages, such as higher price premiums (often as much as 20 percent), enhanced brand loyalty and increased bargaining power with other members of the value chain. DuPont employs both push and pull strategies to create its ingredient brands. Consumer advertising creates consumer pull by generating interest in the brand and a willingness to request it. Extensive trade support in the form of co-operative advertising, training and promotions creates push by fostering a strong sense of loyalty to DuPont from people in the value chain. This loyalty helps DuPont negotiate favourable terms from distributors and leads to increased co-operation on new products.

One of its greatest successes is probably Lycra, the super-stretching polymer invented in DuPont labs in 1959. Generically known as spandex, Lycra got its start as an ingredient for girdles. Lycra's use has expanded steadily since its invention, from bathing suits in the 1970s to bicyclists' pants and aerobic outfits in the 1980s. More recently, nylon-Lycra bike shorts and exercise wear have became fashionable as everyday clothing, especially with young adults.

In building the brand, DuPont has applied its formula for success – one part product development and one part consumer marketing. Over the years, DuPont scientists

Brand Briefing 7.12 *continued*

have invented versions of Lycra that have expanded its uses. Originally too bulky for lightweight items, finer Lycra versions have been developed that can be knitted or woven into delicate fabrics and lightweight items such as tights and dresses. Mastering new and often difficult-to-make versions has made Lycra synonymous with the freedom of movement that comes from spandex. As one sportswear maker puts it: 'I wouldn't buy any spandex that wasn't from DuPont.' To reach consumers, DuPont advertises the benefits of Lycra in a print campaign with the tag line, 'Nothing moves like Lycra.' It has also teamed up with the industry trade group, Cotton Inc, to develop a 'Made with cotton and Lycra' logo for clothes tags.

The success of these efforts can be seen by the results of a DuPont study in which consumers said they would pay 20 percent more for a wool-Lycra skirt than for an all-wool version. Despite losing its original patent years ago, DuPont owns two-thirds of the worldwide spandex market with the Lycra brand.

Sources: Sasha Planting, 'DuPont company overview,' www.financialmail.co.za, 17 June 2005; Monica Roman, 'How DuPont keeps 'em coming back for more,' *BusinessWeek*, 20 August 1990, 68; www.chinadaily.com.cn/bizchina/2006-11/03/content_724113.htm

want to make sure everything is perfect.' The financial arrangement between brands may vary, although one common approach involves a licensing fee and royalty from the brand that is more involved in the production process. The aim is for the licensor and the licensee to benefit from these agreements as a result of the shared equity, increased awareness for the licensor and greater sales for the licensee.

More generally, brand alliances, such as with co-branding, involve a number of decision factors, such as:[9]

- What capabilities do you not have?
- What resource constraints are you faced with (people, time, money, etc.)?
- What growth goals or revenue needs do you have?

In assessing a joint branding opportunity, the following should be considered:

- Is it a profitable business venture?
- How does it help to maintain or strengthen brand equity?
- Is there any risk of dilution of brand equity?
- Does it offer extrinsic advantages (eg, learning opportunities)?

One of the highest-profile alliances is that of Disney and McDonalds, which had the exclusive global rights from 1996-2006 in the fast food industry to promote everything from Disney films and videos to TV shows and theme parks. McDonald's has brand partnerships with a number of brands, including Fisher-Price toys for its Happy Meals.

Ingredient branding

A special case of co-branding is *ingredient branding*, which involves creating brand equity for materials, components, or parts that are necessarily contained within other branded products. Ingredient brands include Dolby noise reduction, Gore-Tex water-resistant fibres, Teflon nonstick coatings, Stainmaster stain-resistant fibres, and Scotchgard fabrics.

From a consumer behaviour perspective, branded ingredients are often seen as a signal of quality. In a provocative study, Carpenter, Glazer and Nakamoto found that the inclusion of a branded attribute (eg, 'Alpine Class' fill for a down jacket) significantly affected consumer choices even when consumers were explicitly told that the attribute was not relevant to their decision.[10] Clearly, consumers inferred certain quality characteristics as a result of the branded ingredient.

The uniformity and predictability of ingredient brands can reduce risk and reassure consumers. As a result, ingredient brands can become industry standards to consumers such that they would not buy a product that did not contain the ingredient. In other words, ingredient brands can become a category point of parity. Consumers do not necessarily have to know exactly how the ingredient works—just that it adds value.

Ingredient branding has become more prevalent as mature brands seek cost-effective means to differentiate themselves and potential ingredient products seek to expand their sales. To illustrate the range of options for ingredient branding, consider the copy from a Singapore Airlines magazine ad, which prominently features both co-branded and self-branded ingredients in promoting one of their service offerings:

Singapore Airlines new Raffles class: business in a class of its own

Singapore Airlines has searched the world to bring you the finest business class in the sky, see www.singaporeair.com. Top French design house, *Givenchy*, has created a cabin of contemporary elegance. And, for the ultimate in comfort, our new *Ultimo* seats from Italy are electrically controlled, offering luxurious legroom as well as personal privacy screens – a world first. In-seat laptop power is on hand for those who need to work; whereas those who prefer to relax can enjoy *KrisWorld*, your in-flight entertainment system, with over 60 entertainment options. And for the first time in the sky, you can enjoy blockbuster movies with *Dolby Headphone* surround sound. In addition, our *World Gourmet Cuisine* – created by an international panel of acclaimed chefs – brings you a dining experience reminiscent of fine earth-bound restaurants, complemented by in-flight service even other airlines talk about.

Thus, as in this example, one product may contain a number of branded ingredients. Ingredient brands are not restricted to products and services. For example, consider how Sony, Nintendo and Microsoft set up try-out areas for their game consoles in consumer electronic shops.

Advantages and disadvantages

The pros and cons of ingredient branding are similar to those of co-branding.[11] From the perspective of the firm making and supplying the ingredient, the benefit of branding its products as ingredients is that by creating consumer pull, greater sales can be generated at a higher margin. Additionally, there may be more stable and broader customer demand and better long-term supplier-buyer relationships. Enhanced revenues may accrue from having two revenue streams—the direct revenue from the cost of the supplied ingredients, as well as extra revenue from the royalty rights paid to display the ingredient brand.

For the manufacturer of the host product, the benefit is in using the equity from the ingredient brand to enhance its own brand equity. On the demand side, the host product may achieve access to more product categories, market segments and distribution channels than they otherwise could have expected. On the supply side, the host product brands may be able to share production and development costs with the ingredient supplier.

Ingredient branding is not without risks and costs. The costs of a supporting marketing communication programme can be high – advertising to sales ratios for consumer products often surpass 5 percent – and many suppliers are relatively inexperienced at designing mass media communications that may have to contend with inattentive consumers and uncaring middlemen. As with co-branding, there is a loss of control because marketing programmes for the supplier and manufacturer may have different objectives and may send different signals to consumers. Some manufacturers may be reluctant to become supplier-dependent or may not believe that the branded ingredient adds value, resulting in a loss of possible accounts. Manufacturers may resent any consumer confusion as to what is the 'real brand' if the branded ingredient gains too much equity. Finally, the sustainability of the competitive advantage may be uncertain because brands that follow may benefit from consumers' increased understanding of the role of the ingredient. As a result, follower brands may not have to communicate the importance of the ingredient as much as why their particular ingredient brand is better than the pioneer or other brands.

Guidelines

Ingredient-branding programmes build brand equity in many of the same ways that conventional branding programmes do. What are the specific requirements for ingredient branding? Brand Briefing 7.12 described ingredient branding efforts at DuPont, which has introduced a number of such brands. In general, four tasks must be accomplished:

1. Consumers must first perceive that the ingredient matters to the performance and success of the end product. Ideally, this intrinsic value would be easily visible or experienced.
2. Consumers must then be convinced that not all ingredient brands are the same and that the ingredient is superior. Ideally, the ingredient would have an innovation or some other substantial advantage over other options.
3. A distinctive symbol or logo must signal to consumers that the host product contains the ingredient. Ideally, the symbol or logo would function essentially as a 'seal' and would be simple and versatile – such that it could appear virtually anywhere – and credibly communicate quality and confidence to consumers.

4. Finally, a co-ordinated push and pull programme must be put into place such that consumers understand the importance and advantages of the ingredient. Often this will involve consumer advertising and promotions and, sometimes in collaboration with manufacturers, retail merchandising and promotion programmes. As part of the push strategy, some communication efforts may also need to be devoted to gaining the co-operation and support of manufacturers or other channel members.

LICENSING

Licensing involves contractual arrangements whereby firms can use the names, logos, characters and so forth of other brands to market their own brands for a fee. Essentially, a firm is 'renting' another brand to contribute to the brand equity of its own product. Because it can be a shortcut to building brand equity, licensing has gained in popularity – North American retail sales of licensed products jumped from €2.9 billion in 1977 to €52.5 billion in 2005.[12]

Entertainment licensing has also become a big business. Licensors include film titles and logos (eg, *Harry Potter*, *Star Wars* and *Spider-Man*), comic strip characters (eg, Garfield, Simpson and Peanuts characters), television and cartoon characters (eg, from *Sesame Street*, and the *Simpsons*). Every summer, marketers spend millions on film tie-ins as marketers look for the next blockbuster franchise. Even athletes participate. US boxer George Foreman signed a €20 million-a-year licensing deal with housewares company Salton in December 1999 to use his name on food preparation products such as the Lean Mean Low Fat Grilling Machine. Perhaps the champion of licensing is Walt Disney. Brand Briefing 7.13 describes some of its practices and strategies.

Brand Briefing 7.13

Licensing the Disney Way

The Walt Disney Company has one of the strongest brands in the world. Much of its success lies in its television, film, theme park and other entertainment ventures. These have created a host of well-loved characters and a reputation for quality entertainment. Disney Consumer Products is designed to keep the Disney name and characters fresh in the consumer's mind through seven business areas:

1. Merchandising licensing. Selectively authorising the use of Disney characters on high-quality merchandise.
2. Publishing. Telling the Disney story in books, magazines, comics and art.
3. Music and audio. Playing favorite Disney songs and stories.

Brand Briefing 7.13 *continued*

4. Computer software. Programming Disney 'fun' into home computers and game systems.
5. Educational production. Casting the characters in films for schools and libraries.
6. The Disney Store. Bringing the Disney name to shopping centres.
7. Catalog marketing. Offering Disney and Disney-quality products via catalogues.

The pervasiveness of its products is staggering: in all, over three billion entertainment-based impressions of Mickey Mouse are received by children every year, equivalent to ten million impressions a day.

Disney believes that its characters appearing on quality merchandise has added greatly to their popularity. The philosophy of Walt Disney, the founder of the company, was to present his characters in toys with real play value or in high-quality merchandise that would then extend the fun of the filmed entertainment and enhance the company's reputation for excellence. The first hand-made Mickey Mouse appeared in 1930. Disney started licensing its characters for toys made by Mattel in the 1950s. Disney Licensing is now responsible for some 3,000 contracts for 16,000 products with manufacturers worldwide. Disney licenses its standard characters (Mickey, Minnie, Donald, Goofy and Pluto) and filmed entertainment (eg, theatrical releases such as *Aladdin*, *The Lion King*, and *Toy Story*, and TV properties such as *Duck Tales* and *Madeline*). Disney is the world's largest licensor with an estimated global retail sales of €19.3 billion for 2007.

To capitalise on the popularity of its characters, Disney has developed a family of brands for licensed products, each one featuring Mickey Mouse, Minnie Mouse, or another character. Each brand was created for a certain age group and distribution channel. The brand combines the name and character in a logo. Each can be used in a range of product categories, including clothes and accessories, toys, home furnishings, social expressions/novelties, sporting goods and gifts.

The Artists in Licensing's Creative Resources department works with manufacturers on all aspects of product marketing, including design, prototyping, manufacturing, packaging and advertising. At each step, care is taken to ensure that the products are faithful to the look and personality of the characters. To protect and enhance the value of its brands, Disney issues standards of brand identities for Disney licensing that specifies colour treatment of the logo; proper use of secondary graphic elements or trade dress (distinctive colour schemes, shapes, images, background patterns, or typography) in packaging, retail signs, or other communications; minimum unobstructed surrounding area; artwork reproduction procedures; use of the brand name outside the logo; and the Disney copyright notice. Disney employees interpret these guidelines, fiercely guarding the image of the characters.

Brand Briefing 7.13 *continued*

One of Disney's most successful licensed characters is Winnie the Pooh. Disney has three Winnie the Pooh product lines: the familiar 'red shirt' Pooh from Disney films; the 100 Acre Collection, a more upmarket line of products that typically sell in department stores; and the Classic Pooh line based on the original illustrations from A. A. Milne's *Winnie the Pooh* books. Pooh products, which have existed since Disney's 1966 animated short *Winnie the Pooh and the Honey Tree*, have become a virtual goldmine. Between 1995 and 2004, the licensing market for Winnie the Pooh grew from €285 million to €4 billion in retail sales for Disney, and *Forbes* magazine ranks it as the second-most valuable character for licensing. By comparison, Disney's other core characters – Mickey, Minnie, Goofy, Donald Duck and Pluto – grew only 20 percent over the same period. In 2001, Disney bought the rights to Winnie the Pooh and all the related characters for €248 million and no longer has to pay licensing fees to the former rights holders.

Source: Bruce Orwall, 'Disney's magic transformation?' *Wall Street Journal*, 4 October 2000.

Licensing can be lucrative for the licensor. Licensing has long been an important business strategy for designer clothes and accessories. Designers such as Donna Karan, Calvin Klein and Pierre Cardin command large royalties for the rights to use their name on merchandise such as clothing, belts, ties and luggage. Over the course of three decades, Ralph Lauren became the world's most successful designer, creating a €3.6 billion business licensing his Ralph Lauren, Double RL and Polo brands.

Guidelines

One danger is that manufacturers can get caught up in licensing a brand that is a fad and produces short-lived sales. Because of many licensing arrangements, licensed entities can become overexposed and wear out quickly as a result. Licensed merchandise sales of Barney products hit a €356 million jackpot in 1993 but faded significantly the following year before making a comeback. Sales of Izod Lacoste shirts, with their alligator crest, peaked at €329 million in 1982 but fell to €110 million in 1990 after the brand became overexposed.[13] Subsequently purchased by Phillips-Van Heusen, the brand made a comeback as the result of more careful marketing.

Pokémon

Nintendo, of Kyoto, Japan, manufactures and markets home and portable video game systems. One of the most stunning creations has been the Pokémon franchise. The name, Pokémon, is short for its original name, 'Pocket Monsters'. Game Boy video games have been merchandised into anime, manga, trading cards, toys, books and other media. The Pokémon franchise also includes a mobile theme park. In 2006, the PokéPark opened in Taiwan and it was announced that it could come to the US and Europe. Pokemon has spawned more than

€10.9 billion in worldwide retail sales, while the franchise sold about 150 million games worldwide. At its peak, Nintendo's Pokemon licensing partner 4Kids Entertainment had licensed out the name to five hundred companies. In 2000, the Licensing Industry Merchandisers' Association named Pokemon its licence of the year. It also won three other category awards in recognition of the brand's creative licensing and the success it was met with. Pokémon netted Nintendo licensing awards and estimated franchise revenues of €2.19 billion in 2000 alone.[14]

Firms are taking steps to protect themselves in their licensing agreements, especially those that rely on the image of their licensor.[15] For example, firms are obtaining licensing rights to range of licensed entities – some of which are relatively enduring in nature – to diversify risk. Licensees are developing products and sales and marketing approaches so that their sales are not merely a function of the popularity of other brands. Some firms conduct marketing research to ensure the proper match of product and licensed entity or to provide more precise sales forecasts for effective inventory management.

Corporate trademark licensing, one of the fastest-growing segments, is the licensing of company names, logos, or brands for use on products.[16] For example, Harley-Davidson licensed its name – synonymous with motorcycles and a certain lifestyle – to a polo shirt, gold ring and even a wine cooler. Other seemingly narrowly focused brands such as Jeep, Caterpillar, Deere and Jack Daniels have also entered a broad portfolio of licensing arrangements. Standards & Poors and Dow Jones now license their trademarks to manufacturers of financial products and to the exchanges where the products trade.

In licensing trademarks, firms may have different motivations, including generating extra revenues and profits, protecting their trademarks, increasing their exposure, or enhancing their image. The profit appeal can be enticing because there are few inventory expenses, accounts receivables, manufacturing expenses, and so forth. In an average deal, a licensee pays a corporation a royalty of about 5 percent of the wholesale price of each product, although the actual percentage can vary from 2 percent to 10 percent. As noted in Chapter 5, some firms sell licensed merchandise through their own catalogues.

As with any co-branded arrangement, however, the risk is that the product will not live up to the reputation of the brand. Inappropriate licensing can dilute brand meaning with consumers and marketing focus within the organisation. When Eddie Bauer, in the midst of a retailing slump in November 2000, announced a two-year licensing deal with Compaq for special-edition Compaq Presario 1400 notebooks computers sporting a distinctive trim, one industry analyst complained, 'Their business has been terribly disappointing—their entire focus should be unrelentingly on their merchandise assortment.'[17]

CELEBRITY ENDORSEMENT

Using well-known and admired people to promote products is a widespread phenomenon. Even the late US president Ronald Reagan was a celebrity endorser, pitching several products, including cigarettes, during his acting days. Some actors or actresses who refuse to endorse products in the US are willing to do so in Japan (eg, Arnold Schwarzenegger for Aramin V-drink, Meg Ryan for Dingo cars, Leonardo DiCaprio for Suzuki Wagon, Jodie Foster for Morinaga Caffe Late, and Harrison Ford for Honda Legend). Brad Pitt and Bruce Willis have done commercials overseas for a number of brands.

The rationale behind these strategies is that a famous person can draw attention to a brand and shape the perceptions of the brand by virtue of the inferences that consumers make based on their knowledge of the person. Consequently, in choosing a celebrity endorser, it is important for the celebrity to be well enough known that the awareness, image and responses for the brand may be improved.

In particular, a celebrity endorser should have a high level of visibility and a rich set of potentially useful associations, judgements, and feelings.[18] Ideally, a celebrity endorser would be seen as credible in terms of expertise, trustworthiness, and likability or attractiveness, as well as having specific associations that carry potential product relevance.

Q Scores

Marketing Evaluations/TvQ conducts surveys in the US to determine 'Q scores' for a range of entertainers and public figures. Each performer is rated on the following scale: 'one of my favorites', 'very good', 'good', 'fair', 'poor' and 'never seen or heard of before.' The sum of the 'favorite' through 'poor' ratings is 'total familiar.' The 'one of my favorites' rating is an absolute measure of appeal or popularity, since it is based on 100 percent. Because some performers would have a low 'favorite' rating, the Q score is a ratio of the 'favorite' rating to the 'familiar' score. It addresses the question, How appealing is he or she among those who do know him or her? Q scores are used to reflect the potential of lesser-known personalities and provide basis for comparison with more established personalities. As of 2004, negative Q scores (the ratio of the 'fair' plus 'poor' ratings to the 'familiar' score) are being published as well, to reflect the proportion of the population that disliked a particular personality. Figure 7.22 gives Q scores for popular entertainers.

Potential problems

There can be problems with linking a celebrity endorser to a brand. First, celebrity endorsers can endorse so many products that they lack any specific product meaning or are just seen as opportunistic or insincere. Tennis player Anna Kournikova used her good looks to sign endorsements with a wide variety of brands, including Adidas, Berlei lingerie, Charles-Schwab, Lycos, Microsoft's XSN Sports, Multiway Sports Bra, Omega watches, Pegasus cell phones and Yonex racquets.

It can be argued that basketball player Michael Jordan lost effectiveness as an endorser when he was associated with so many brands and products, appearing in ads for Nike athletic shoes, Gatorade sports drink, Bijan fragrances, Hanes underwear, McDonald's, Ball Park Franks, Rayovac batteries, Wheaties cereal and MCI WorldCom telecommunications. He even supported his own brand in the form of Michael Jordan men's cologne and, later, the Nike subsidiary Jordan brand. Brand Briefing 7.14 describes the financial value of some contracts with endorsers.

Rank	*Performer*	*% of Total Familiar*	*Q score*	*Negative Q score*
1	Tom Hanks	93	57	5
2	Mel Gibson	90	52	5
3	Bill Cosby	94	49	11
4	William Petersen	43	46	8
5	Sean Connery	87	45	8
6	Eddie Murphy	91	40	10
7	Julia Roberts	86	39	14
8	Robert de Niro	86	39	10
9	Harrison Ford	87	38	8
10	Will Smith	86	38	10
11	Jack Nicholson	82	38	11
12	Maurice Benard	18	37	23
13	Steve Martin	87	36	13
14	Jerry Orbach	44	36	8
15	Jorja Fox	39	36	9
16	Jim Carrey	92	35	16
17	George Eads	42	35	10
18	Mariska Hargitay	41	35	7
19	Anthony Lapaglia	34	35	11
20	Adam Sandler	82	34	20
21	Danny Glover	81	34	9
22	Doris Roberts	66	34	11
23	Toby Keith	59	34	19
24	Christopher Meloni	38	34	9
25	John M. Jackson	28	34	13

Figure 7.22 Q ranking of performers (among US population aged six and older)

Source: Marketing Evaluation/TvQ, winter 2004 performer Q study.

Brand Briefing 7.14

The value of celebrity endorsers

Celebrities routinely lend their faces and personas to brands in exchange for millions. Companies hire famous athletes and actors in hopes that the celebrities' fans will also become fans of their products or services. Such endorsers can use their popularity to create positive associations for brands in the minds of consumers.

First, it should be noted that the best brand ambassadors are never the popular, great performers in their fields, but rather – at least in some countries – those who are right for the specific audience and the brand's product category. For example, *Reader's Digest's* 'European trusted brands' survey has run since 2001. For the 2006 results, research was conducted in twelve languages among 25,434 people in

Brand Briefing 7.14 *continued*

fourteen European countries. The results identify significant differences by country as to whom and what people are most likely to trust. Although 'popular' celebrities featured at the bottom of the list in every situation in most countries, the same isn't true for 'relevant' celebrities. According to the survey, when buying a new car, people in Poland are more likely to trust the advice of a relevant celebrity than an institution (ie motoring organisation). The reverse is the case in Germany and Spain where 'relevant' celebrity ranked fifteen out of sixteen – only 'popular' celebrity had fewer votes.

The same variance can be seen in the media agency CIA: Mediaedge 2004 global survey, which found the following percentages for people who said they would be attracted to a placed product in a film: Mexico (53 percent), Singapore (49 percent), India (35 percent) and Hong Kong (33 percent). The US logged a lower rating at 26 percent. None of these figures compares with the Netherlands at 9 percent and France's 8 percent, suggesting that placing for these audiences isn't worth the effort. Still, one must remember that many product placements are not obvious – as such they remain great opportunities.

Second, celebrity endorsers can carry big risks for companies, which often hire famous people as much for their clean-cut images as their professional accomplishments. Most companies conduct background checks before signing celebrities but that doesn't guard against future bad behaviour. In 1988, Anheuser-Busch built a campaign for Michelob beer around Eric Clapton's version of 'After Midnight' shortly before the singer revealed he was battling alcoholism. US basketball player Kobe Bryant lost millions in endorsements with McDonald's, Sprite and Nutella after he was charged with sexual assault in 2001. And in September 2005, supermodel Kate Moss was photographed using cocaine and was promptly dropped as an endorser by H&M, Chanel and Burberry. (One company, H&M, said it would honor the contract with Moss and would stand behind her since she admitted having a drug problem. Moss was going to be used in H&M ads to promote Stella McCartney's fashion range. H&M executives later changed their minds and dropped the supermodel.)

Third, risks can also work the other way around. Fidelity bank teamed up with Paul McCartney in 2005. Shortly after McCartney started endorsing Fidelity, regulators investigated the fund company over allegations that its traders accepted lavish gifts and entertainment from brokers who did business with the company.

Fourth, many consumers feel celebrities are only doing the endorsement for money and do not necessarily believe in or even use the endorsed brand. Even worse, some consumers feel that the salaries for celebrities to appear in commercials add a significant and unnecessary cost to the brand. Celebrities also can be difficult to work with and may not willingly follow the marketing direction of the brand. Tennis player Andre Agassi tried Nike's patience when – at the same time he was advertising for

Brand Briefing 7.14 *continued*

Nike – he appeared in commercials for the Canon EOS camera. In these ads, he looked into the camera and proclaimed 'Image is everything' – the antithesis of the 'authentic athletic performance' positioning that is the foundation of the Nike brand equity.

The following endorsement deals were reported as the largest in 2005. We leave it to you to analyse the relevance and value added to the brand – and how it affects the celebrity – from these endorsements.

Catherine Zeta Jones: T-Mobile, €16.8 million
Angelina Jolie: St. John, €10 million
Nicole Kidman: Chanel No5, €10 million
Jessica Simpson: Guthy-Renker, €6.31 million
Gwyneth Paltrow: Estée Lauder, €5.11 million
Charlie Theron: Dior, €5.11 million
Julia Roberts: Gianfranco Ferré, €4.2 million
Brad Pitt: Heineken, €3.3 million
Scarlett Johansson: L'Oreal, €3.3 million
Penelope Cruz: L'Oreal, €3.3 million

Sources: *Readers Digest* 'European trusted brands' survey, www.rdtrustedbrands.com, 15 February 2006; Abram Sauer, 'Brandchannel 2004 product placement awards', www.brandchannel.com, 21 February 2005; 'The fame game: why brands want celebrities', *The Independent*, 29 July 2006. www.foxnews.com/story/0,2933,300216,00.html

Second, there must be a reasonable match between a celebrity and a product.[19] Many endorsements would seem to fail this test. Oddly, tennis star John McEnroe was the spokesperson for Bic disposable razors despite his ubiquitous two-day stubble on the tennis court. George C. Scott, an Oscar winner for his patriotic film portrayal of General Patton, seemed to be a curious choice to endorse a French Renault car. Some potentially better matches include actor Paul Hogan of *Crocodile Dundee* for Subaru's line of Outback cars and cyclist Lance Armstrong for Bristol-Myers Squibb's cancer medicines.

Third, celebrity endorsers can get in trouble or lose popularity, diminishing their marketing value to the brand, or just fail to live up to expectations. In 2005, American Express decided to focus its US Open tennis advertising and promotion campaign on the US player Andy Roddick. The ad theme of 'Have you seen Andy's mojo?' took on new meaning, however, when Roddick tumbled out of the tournament in the first round in straight sets. Thus, linking the brand to a celebrity results in a certain lack of control; people have run into legal difficulties, personal problems, or controversies of some form that diminished their marketing value (eg, as was the case with athletes Kobe Bryant, Marion Jones and O. J. Simpson, entertainer Michael Jackson). Marion Jones, the only woman to win five medals in athletics at a single Olympics event, pleaded guilty in October 2007 to taking drugs. Even though Jones returned the five medals she won in the Sydney Olympics in 2000, the shame is not over. She faces further action from sporting bodies regarding the doping scandal.[20]

Finally, as noted in Chapter 6, celebrities may distract attention in ads such that consumers notice the stars but have trouble remembering the brand. Pepsi decided to drop Beyonce Knowles and Britney Spears from campaigns when they felt that the Pepsi brand did not get as much promotion out of the campaigns as the singers were getting. Pepsi decided to put the spotlight back on the product with its endorsement-free follow-up, 'Pepsi. It's the cola.' After signing Celine Dion for a three-year, €10 million deal, Chrylser dumped her in the first year when commercials featuring Dion driving a Pacifica produced great sales for the singer, but not the car!

Guidelines

To overcome such problems, celebrities must be evaluated, selected and used strategically. First, it is important to choose a celebrity whose associations are relevant to the brand and likely to be transferable.

Thus, there must be a logical fit between the brand and person.[21] To reduce confusion or dilution, the celebrity ideally would not be linked to a other brands. After winning Olympic gold in 1984, Mary Lou Retton appeared in commercials for so many brands that one marketing critic complained: 'I've seen more of her in the past year than I have of my mother – and I love my mother more!'[22] To broaden the appeal and reduce the risks of linking to one celebrity, some marketers have employed several.

Second, the celebrity must be used in a creative fashion that highlights the relevant associations and encourages their transfer. For example, US comedian Jerry Seinfeld's commercials for American Express used the same unflappable charm and knack for finding himself in unusual situations that he displayed on his TV show. Finally, marketing research must be undertaken to help identify potential endorser candidates and facilitate the development of the proper marketing programme, as well as track their effectiveness.

SPORTING, CULTURAL, AND OTHER EVENTS

Chapter 6 described the rationale for event marketing and sponsorship. The chapter noted that event marketing was a means of creating or reinforcing consumer perceptions of key associations. Events have their own associations that may become linked to a sponsoring brand under certain conditions.

Sponsored events can contribute to brand equity by becoming associated to the brand and improving brand awareness, adding associations, or improving the strength, favorability and uniqueness of existing associations. The main means by which an event can transfer associations is by credibility. A brand may seem more likable or perhaps even trustworthy or expert by virtue of becoming linked to an event. The extent to which this transfer takes place will depend on which events are selected and how the sponsorship programme is designed and integrated into the marketing programme to build brand equity. Brand Briefing 7.17 discusses sponsorship strategies for the Olympics Games. Brand Briefing 7.15 describes the role event sponsorship played in building brand equity for Visa credit cards.[23]

Brand Briefing 7.15

Event sponsorship at Visa

In 1985, Visa and MasterCard were seen as identical products that faced stiff competition from other brands, particularly American Express, which had a strong and desirable image with consumers. Visa set out to create a differentiating and enduring perception of its brand as the best payment system for all types of purchases. Visa was positioned as the brand with superior acceptance by virtue of hard-hitting comparative ads with American Express. The 'It's everywhere you want to be' campaign featured interesting, unique and prestigious locations where consumers might expect American Express to be accepted but where consumers were told to 'bring your Visa card, because they don't take American Express'. In terms of event marketing, Visa aligned itself with high-profile events (sporting events and concert tours) that did not take American Express and backed up its sponsorships with comparative advertising campaigns.

Starting in 1988, the Olympics became Visa's biggest event association. Visa's Olympic involvement has helped to reinforce its desired positioning as a high-quality, globally accepted product. Visa's sponsorship has made the brand the exclusive payment card and the official payment service for the Olympics. Visa's Olympic support and sponsorship were reinforced in many ways. Ads for the 1992 games focused on how tough the competition would be, 'but not as tough as the sellers at the ticket window if you don't have your Visa card'.

To support Olympic fund-raising, cardholder transactions were tied to Visa donations to certain Olympic teams in several countries. Visa also provided direct financial support to some athletes and teams. Since 1994, Visa's 'Olympics of the imagination' has brought school children from all over the world to the Olympics as part of an art competition tied into the every winter and summer games since. The sponsorship also allows Visa's 21,000 member financial institutions to link exclusive marketing and merchandising campaigns around the games, promoting Visa products and services to cardholders and merchants worldwide.

The effect of these sponsorship and other communication efforts has been dramatic. The Athens 2004 Olympic Games and Paralympic Games generated an 87 percent consumer awareness of Visa as a sponsor, the highest of all sponsors. More importantly, research has shown that Visa is now perceived as more widely accepted than other cards and, as a result, as the card of choice for personal and family shopping, personal travel and entertainment, and even international travel, a former American Express stronghold.

Source: http://sponsorships.visa.com/olympic/.

Brand Briefing 7.16 describes how the talented Chinese NBA star Yao Ming can be used to bridge business between the western world and China.

Brand Briefing 7.16

Yao Ming a bridge between China and western markets

Shanghai-born basketball player Yao Ming has the potential to win the hearts and minds of 1.3 billion potential consumers in China (Figure 7.23). In 2004, he was unknown outside China. Now, he is set to become a real factor in trade between the western world and China. Yao is helping McDonald's sell more hamburgers, Pepsi more soft drinks and Reebok more basketball shoes in China. McDonald's will nearly double its outlets there to 1,000 for the 2008 Olympics, says Dean Barrett, senior vice-president for global marketing: 'Yao is a tremendous global asset for us.'

The handful of big companies with Yao deals in place say they see a difference. McDonald's has even gone so far as to appoint him its 'first worldwide brand ambassador'. With Yao as its spokesman, Reebok's Fireman says he could see capturing more than a quarter of an estimated €730 million trainer business in China by 2008. The company currently does about €22 million in sales there.[24]

PepsiCo, which has an endorsement deal with Yao in China, reported sales are up almost 30 percent in a year. Richard Lee, Pepsi's Shanghai-based senior vice-president for marketing in China, says he's not sure he can attribute all of that to Yao. But he points out that Yao's persona is in keeping with Pepsi's slogan 'Dare for more.'

Figure 7.23 Basketball player Yao Ming

Brand Briefing 7.16 *continued*

Despite this success, Yao has turned down dozens of offers. Reebok International chief executive Paul B. Fireman says Yao's handlers have done a good job of 'not rushing him out to every company, not prostituting him'. His agents, Team Yao, are mostly sticking to what may be a first in the world of sports business – a confidential, five-year marketing plan developed with the help of University of Chicago MBA students. Because of his surging popularity, Yao is ahead of schedule, and Team Yao's fear is that he will be come overexposed.

Managing Yao is a team that includes veteran US basketball agent Bill A. Duffy, former film marketer and agent Bill Sanders, University of Chicago economics professor John Huizinga and Chinese-born entrepreneur M. Erik Zhang. Sanders sees a Yao wave building that will reach its crest at the 2008 Olympics. 'The finish line is 2008. Beijing is the big day, the pinnacle of Yao's earning power. The world will be watching,' says Sanders.

Team Yao's planning and patience seems to be paying off. Yao's four-year contract with the Hauston Rockets is worth €13 million, and he earns an estimated €11 million a year in longer-term deals with Pepsi, Reebok, Gatorade and Mcdonald's. As his agents strike more deals – and they say they will pick up the pace in the run-up up to the Olympics – some executives believe Yao has the potential to gross €220 million in his first ten years in the US basketball league.

At home, Yao has done deals with China Unicom and internet company SOHU. Marketing experts say Yao could prove to be just as invaluable to Chinese companies looking to go global as to western companies seeking business in China.

Source: 'Wow! Yao! For US brands selling in China, NBA sensation Yao Ming is one hot ticket', *BusinessWeek*, 25 October 2004.

THIRD-PARTY SOURCES

Finally, it should be noted that secondary associations can be created by linking a brand to third-party sources. For example, the *Good Housekeeping* magazine seal has been seen as a mark of quality for decades (offering product replacement or refunds for defective products for up to two years after purchase). Endorsements from leading magazines (eg, *PC* magazine), organisations (eg, dental associations), and experts (eg, film critics) can improve perceptions of and attitudes towards brands.

Third-party sources may be seen as especially credible sources. As a result, they are often featured in advertising campaigns and selling efforts. Fombrun found 183 public lists in thirty-eight countries that provide summary ratings and rankings of companies.[25] In the US, JD Powers and Associates' customer satisfaction index

Brand Briefing 7.17

Going for corporate gold at the Olympics

Competition at the Olympics is not restricted to athletes. Corporate sponsors also vie to maximise the return on their sponsorship investments.[26] Sponsorship is a significant part of the business side of the games. Sponsorships contributed 32 percent of the revenue of the 2004 Games. Some of the world's largest and most visible companies, including McDonald's, Coca-Cola, Visa and Kodak, spent as much as €36.5 million to sponsor the 2002 winter and 2004 summer Olympics. In 2005, Coca-Cola extended its Olympic sponsorship to 2020.

Sponsorship of the Olympics exploded with the commercial success of the 1984 summer games in Los Angeles. Many international sponsors (eg, Fuji) improved their image and increased market share. In Atlanta in 1996, top-tier 'worldwide' corporate sponsors spent €29 million for the rights to display Olympic logos in their ads and on their packaging and to secure access to tickets, hotel rooms, athletes, events and the hospitality village. Besides direct expenditures, companies spent hundreds of millions more on related marketing. Coca-Cola's total Olympic-related expenditure reportedly topped €365 million and included funding for the torch relay and a mega-retail promotion, Coke's 'red hot Olympic summer'.

Yet, Olympic sponsorship is controversial in terms of its marketing success. For example, even though Hilton was the official hotel of the 1992 summer games, only 8 percent of consumers were aware of the sponsorship just weeks after the Olympics ended. Even worse, 9 percent thought the sponsor was Holiday Inn. Similarly, Kellogg was a 1992 sponsor, but only 20 percent of consumers named Kellogg's Corn Flakes as a brand sponsor while 35 percent named rival Wheaties. In 1996, licensees fell short of their goal of €730 million in total sales.

In some cases, confusion may be due to ambush marketing. In ambush marketing, advertisers attempt to falsely give consumers the impression that they are sponsors by means such as running Olympic-themed ads that publicise other forms of sponsorship (for a national team or network broadcast), identifying the brand as an official supplier, or using current or former Olympians as endorsers. For example, to retaliate against Visa's ads stressing exclusive Olympic acceptability, American Express ran ads that focused on its card's presence in Olympic host cities. To improve the marketing effectiveness of sponsorship, the Olympic committee has vowed to fight ambush marketing as well as to reduce the number of sponsors to avoid clutter.

Following the scandal surrounding Salt Lake City's bid for the 2002 Winter Olympics, where it was revealed that organisers gave cash and gifts to some thirty International Olympic Committee (IOC) members, many criticised the games for being overcommercialised. The scandal generated feelings of disillusionment from fans and compounded image problems resulting from drug use and poor sportsmanship. A survey conducted soon after the scandal broke revealed that 39 percent of people felt worse about the games.

Brand Briefing 7.17 *continued*

To counteract these poor perceptions, the IOC launched an image campaign to promote the 2000 games. The ads, which ran in two hundred countries, reflected the 'core values of the Olympic movement' by featuring footage of former Olympic champions such as Jesse Owens, as well as unsung heroes. The €110 million campaign featured web advertising, television spots, radio spots and print ads, one of which detailed how corporate sponsors contributed to the Games.

The scandal caused some corporations to reconsider their role in the games. An executive for Miller Brewing – which has not been a sponsor of the games – said: 'The Olympics, quite frankly, have never been more overpriced or overvalued.' Sponsorship remained a big part of the 2000 Sydney Games, but some sponsors toned down their Olympic ad blitz to seem less opportunistic and commercial. Instead of purchasing space on fifty hoardings, as the company did for the 1996 Atlanta Games, Kodak dressed thirty-five actors as rolls of film and had them walk around the venue. Goodyear changed the logo on its airship to display the Australian greeting 'G'day' on one side and 'Good luck' on the other. Even the brash Nike adopted a more subtle approach to advertising at the Sydney Games. When the company wrapped a thirty-storey building with images of Australian athletes, it used a swoosh that measured only a few stories.

The 2008 summer games in Bejing hold special appeal for some advertisers because they represented a connection to the burgeoning Chinese market. General Electric began its first global campaign revolving around the Bejing games in 2005. GE chose the Olympics to position the company as global and innovative to Chinese consumers. UPS also chose the Bejing games to strengthen its brand presence in China. UPS was a global Olympic sponsor in 1996, 1998 and 2000 but dropped out after 2000, saying its goals had been achieved. But in 2005, UPS announced it would rejoin the Olympics for 2008, this time in a limited deal that allowed the company to use the Olympic logo for marketing in China only. International and local sponsors are expected to spend a total of €730 million on a Bejing Olympics, aided partly by a nationalist spirit that drives some Chinese companies to sponsor the event.

Nevertheless, Olympic sponsorship remains controversial. Many companies believe that sponsorship yields significant benefits, creating an image of goodwill for their brand, serving as a platform to enhance awareness and communicate messages, and affording numerous opportunities to reward employees and entertain clients. Others criticise the event as horribly overcommercialised, citing the Atlanta summer games as a prime example. In any case, as suggested in Chapter 6, it is clear that the success of Olympic sponsorship, like any sports sponsorship, depends in large part on how well the sponsorship is executed and incorporated into a marketing plan.

helped to cultivate an image of quality for Japanese carmakers in the 1980s, with corresponding harm to the quality image of their US rivals. In the 1990s, SD power began to rank quality in other industries, such as airlines, credit cards, rental cars and phone service. The top-rated brands in these categories began to feature their awards in ad campaigns. Another example is Grey Goose vodka, which used endorsements from bartenders to drive sales in the US.

CHAPTER REVIEW

This chapter considered the process by which other entities can help create secondary associations. Such entities include the company that makes a product, where the product is made, and where it is purchased, as well as related people, places, or things. By linking a brand to entities with their own set of associations, consumers may expect that some of these same associations also characterise the brand. Thus, independent of how a product is branded, the nature of the product itself, and its supporting marketing programme, brand equity can be created by 'borrowing' from other things. Creating secondary associations in this fashion may be important if the corresponding brand associations are deficient. Secondary associations may be especially valuable as a way to link favourable brand associations that can serve as points of parity or to create unique brand associations that can serve as points of difference in positioning a brand.

Eight ways to use secondary associations to build brand equity are by linking the brand to: the company making the product; the country or some other geographic location in which the product originates; retailers or other channel members who sell the product; other brands, including ingredient brands; licensed characters; famous spokespeople or endorsers; events; and third-party sources.

In general, the extent to which any of these entities can be a source of equity depends on consumer knowledge of the entity and how easily the appropriate associations or responses to the entity transfer to the brand. Global credibility or attitudinal dimensions may be more likely to transfer than specific attribute and benefit associations, although the latter can be transferred too.

Linking the brand to other entities, however, is not without risk. Some control is lost and managing the transfer process so that only the relevant secondary associations become linked to the brand may be difficult.

Discussion questions

1. Think of the country in which you live. What image might it have with consumers in other countries? Are there certain brands or products that are highly effective in using that image in global markets?
2. Pick a brand. Evaluate how it builds on secondary associations. Can you think of any ways that the brand could more effectively use secondary brand knowledge?

3. Boeing makes aircraft for commercial airlines, for example, the 727, 747, 757, 767, 777 and now the 787 jet models. Is there any way for Boeing to adopt an ingredient branding strategy with its jets? How? What would be the pros and cons?
4. After winning championships, players often complain about their lack of endorsement offers. Similarly, after every Olympics, a number of medal-winning athletes lament their lack of commercial recognition. From a branding perspective, how would you respond to the complaints of these athletes?
5. Which retailers have the strongest image and equity in your mind? Think about the brands they sell. Do they contribute to the equity of the retailer? Conversely, how does that retailer's image help the image of the brands it sells?

References and notes

[1]Kevin Lane Keller (2003), 'Brand synthesis: the multi-dimensionality of brand knowledge,' *Journal of Consumer Research*, 29 (4), 595–600.

[2]Wai-Kwan Li and Robert S. Wyer Jr., 'The role of country of origin in product evaluations: informational and standard-of-comparison effects,' *Journal of Consumer Psychology* 3, no. 2 (1994): 187–212.

[3]For a broader discussion of nation branding, see Philip Kotler, Somkid Jatusriptak and Suvit Maesincee, *The Marketing of Nations: A strategic approach to building national wealth*, 1997, Free Press: New York, NY; Wally Olins, 'Branding the nation: the historical context,' *Journal of Brand Management*, 9 (April), 2002, 241–248; and for an analysis of Iceland, see Hlynur Gudjonsson, 'Nation branding,' *Place Branding*, 1 (3), 2005, 283–298.

[4]Tony Apéria, *'Brand relationship management: den varumärkesbyggande processen,'* (dissertation) Stockholm: Stockholm University, 2001.

[5]Akshay R. Rao and Robert W. Ruekert, 'Brand alliances as signals of product quality,' *Sloan Management Review* (Fall 1994): 87–97; Akshay R. Rao, Lu Qu and Robert W. Ruekert, 'Sig*nalling unobservable product quality through brand ally*,' *Journal of Marketing Research*, 36 (2), May 1999, 258–268.

[6]Robin L. Danziger, 'Cross branding with branded ingredients: the new frontier' (paper presented at the ARF Fourth Annual Advertising and Promotion Workshop, February 1992).

[7]Kim Cleland, 'Multimarketer melange an increasingly tasty option on the store shelf,' *Advertising Age*, 2 May 1994, S10.

[8]www.swatch.com; Kevin Helliker, 'Can wristwatch whiz switch Swatch cachet to an automobile?' *Wall Street Journal*, 4 March 1994, A1; Audrey Choi and Margaret Studer, 'Daimler-Benz's Mercedes unit to build a car with maker of Swatch watches,' *Wall Street Journal*, 23 February 1994, A14; Beth Demain Reigber, 'DaimlerChrysler smarts as BMW Mini looms,' *Dow Jones Newswire*, 20 June 2001.

[9]Based in part on a talk by Nancy Bailey, 'Using licensing to build the brand' (Brand Masters conference, 7 December 2000).

[10]Gregory S. Carpenter, Rashi Glazer and Kent Nakamoto, 'Meaningful brands from meaningless differentiation: the dependence on irrelevant attributes,' *Journal of Marketing Research* (August 1994): 339–350. See also, Susan M. Broniarczyk and Andrew D. Gershoff, 'The reciprocal effects of brand equity and trivial attributes,' *Journal of Marketing Research*, 41, 2003, 161–175.

[11]Donald G. Norris, 'Ingredient branding: a strategy option with multiple beneficiaries,' *Journal of Consumer Marketing* 9, no. 3 (1992): 19–31.

[12]*The Licensing Letter*, epmcom.com.

[13]Teri Agins, 'Izod Lacoste gets restyled and repriced,' *wall street journal*, 22 July 1991, B1.

[14]James Brightman, 'Emerald shows that Pokemon can still dominate', www.gamedaily.biz, 7 June 2005.

[15]Udayan Gupta, 'Licensees learn what's in a pop-culture name: risk,' *Wall Street Journal*, 8 August 1991, B2.

[16]Frank E. James, 'I'll wear the Coke pants tonight; they go well with my Harley-Davidson ring,' *Wall Street Journal*, 6 June 1985, 31.

[17]Robert Berner, 'The name of the game is – the name,' *BusinessWeek*, 27 November 2000, 12.

[18]Grant McCracken, 'Who is the celebrity endorsor? cultural foundations of the endorsement process,' *Journal of Consumer Research* 16 (December 1989): 310–321.

[19]Shekhar Misra and Sharon E. Beatty, 'Celebrity spokesperson and brand congruence,' *Journal of Business Research* 21 (1990): 159–173.

[20]http://sport.guardian.co.uk/athletics/story/0,,2185096,00.html

[21]Misra and Beatty, 'Celebrity spokesperson and brand congruence.'

[22]Roderick townley, 'Is that winning smile losing its charm?' *TV Guide*, 28 June 1986, 41–42.

[23]'Wow! Yao! For US brands selling in China, NBA sensation Yao Ming is one hot ticket,' *BusinessWeek*, 25 October 2005.

[24]Janet Soderstrom, 'Brand equity. It's everywhere you want to be' (talk at Branding Conference, San Francisco, US, 26 October 1995).

[25]Charles Fombrun, 'In compilation of international corporate reputation ratings,' *Corporate Reputation Review*, Vol. 10, No. 2 (2007): 144–152.

[26]Wait in wings as Olympic sponsors waffle, *USA Today*, 15 March 1999; Michael McCarthy, 'Olympic ads to stress 'core values,' *USA Today*, 20 December 1999; Bruce Horowitz, 'Sponsors scale back ad blitz,' *USA Today*, 26 September 2000; Bruce Horowitz, 'Sponsors warm up a year before games,' *USA Today*, 19 July 1995, 1B-2B; 'Olympic partnership,' *Sports Illustrated* advertising section.