

Brands

'Products are made in the factory, but brands are made in the mind.'
 Walter Landor (1913–1995), branding pioneer

OVERVIEW

VOCABULARY

Brand management

LISTENING

Successful brands

READING

Building luxury brands

LANGUAGE REVIEW

Present simple and present continuous

SKILLS

Taking part in meetings

CASE STUDY

Hudson Corporation



STARTING UP

A

Work with a partner. List some of your favourite brands. Then answer these questions.

1 Do you / Would you buy any of the following brands? Why? / Why not?

Coca-Cola	Ikea	Microsoft	Tesco	Chanel
IBM	General Electric	Virgin	Nokia	Kellogg's
Toyota	Google	Intel	Samsung	Ford
McDonald's	Mercedes-Benz	Disney	Marlboro	China Mobile

- 2 Which of the brands above do you think feature in the top-ten Interbrand list in both 1999 and 2007? (Check your answer on page 134. Are you surprised?)
- 3 Pick some of the brands above which interest you. What image and qualities does each one have? Use these words and phrases to help you.

value for money	upmarket	timeless	well-made	classic
durable	inexpensive	cool	reliable	stylish
fashionable	sexy	sophisticated	fun	

- 4 How loyal are you to the brands you have chosen? For example, when you buy jeans, do you always buy Levi's? Why do people buy brands?
- 5 Why do you think some people dislike brands?

B

CD1.1 Listen to two speakers talking about brands. What reasons does each person give for liking or disliking brands? Which person do you agree with?

VOCABULARY
Brand management

A

Match these word partnerships to their meanings.

- 1 loyalty
2 image
3 stretching
4 awareness
5 name

- a) the title given to a product by the company that makes it
b) using an existing name on another type of product
c) the ideas and beliefs people have about a brand
d) the tendency to always buy a particular brand
e) how familiar people are with a brand (or its logo and slogan)

**P
R
O
D
U
C
T**

- 6 launch
7 lifecycle
8 range
9 placement
10 endorsement

- f) the set of products made by a company
g) the use of a well-known person to advertise products
h) when products are used in films or TV programmes
i) the introduction of a product to the market
j) the length of time people continue to buy a product

**M
A
R
K
E
T**

- 11 leader
12 research
13 share
14 challenger
15 segment

- k) the percentage of sales a company has
l) customers of a similar age, income level or social group
m) the best-selling product or brand in a market
n) information about what consumers want or need
o) the second best-selling product or brand in a market

B

Complete these sentences with word partnerships from Exercise A.

**B
R
A
N
D**

- 1 No one recognises our logo or slogan. We need to spend more on advertising to raise brand awareness.
2 Consumers who always buy Sony when they need a new TV are showing
3 A fashion designer who launches his or her own perfume is an example of
4 The of Mercedes-Benz is such that its products are seen as safe, reliable, luxurious, well made and expensive.

**P
R
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- 5 George Clooney advertising Nespresso is an example of
6 A consists of introduction, growth, maturity and decline.
7 Tesco's wide means that it appeals to all sectors of the UK market.
8 The use of Aston Martin cars and Sony computers in James Bond films are examples of

**M
A
R
K
E
T**

- 9 Microsoft is the in computer software.
10 In countries with ageing populations, the over-60s age group is becoming an increasingly important
11 Pepsi is the in carbonated soft drinks.
12 Focus groups and consumer surveys are ways of conducting

C

Discuss these questions.

- 1 What are the advantages and disadvantages for companies of product endorsements?
2 How can companies create brand loyalty?
3 Can you give any examples of successful or unsuccessful brand stretching?
4 Think of a cheap and expensive idea for a product launch.
5 What other market segments can you identify (e.g. young singles).
6 What action do companies take if they start to lose market share?

See the DVD-ROM
for the i-Glossary.



LISTENING
Successful brands



Chris Cleaver

Watch the interview on the DVD-ROM.

A CD1.2 Chris Cleaver is Managing Director, Business Brands at Dragon Brands. Listen to the first part of the interview and tick the points that he makes.

A brand ...

- 1 helps people to become familiar with a product.
- 2 gives a product an identity.
- 3 increases the sales of a product or service.
- 4 enables the target consumer to decide if they want the product or not.

B CD1.3 Listen to the second part of the interview and answer the question.
What is the main function of a brand?

C CD1.4 Listen to the final part. In which two ways has Chris Cleaver's company helped Nokia?

D Think of three brands you really like and discuss what 'appealing and persuasive' ideas they communicate to you.

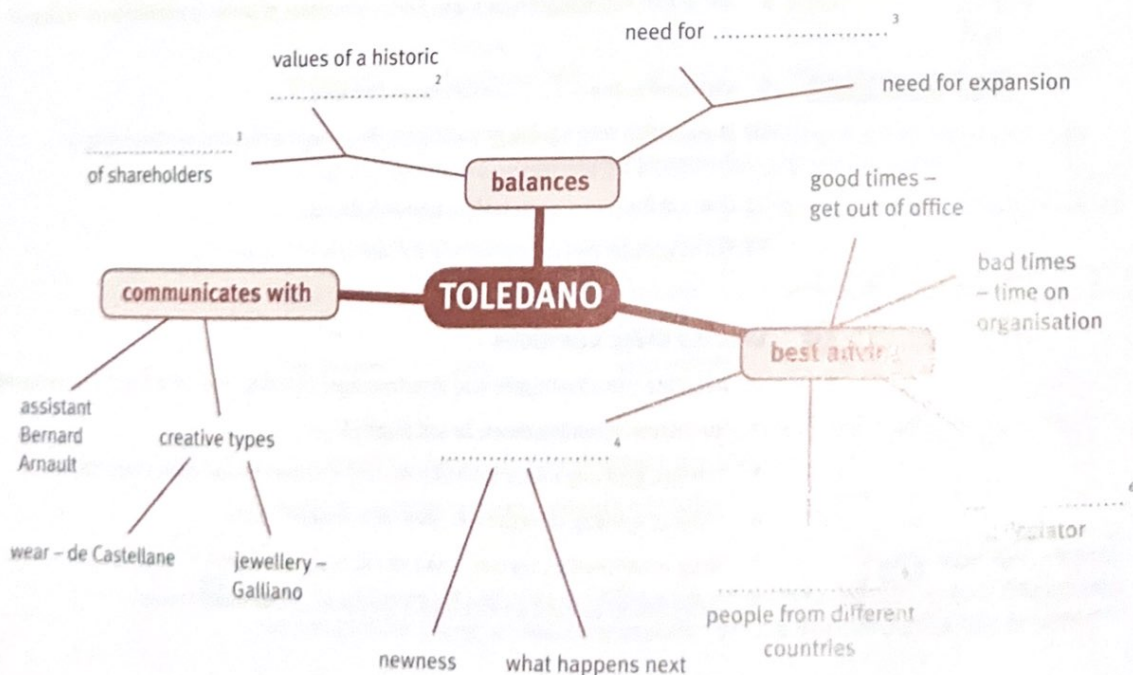
READING
Building luxury brands

A What is the brand image of Dior?

B Skim the article on the opposite page quickly and say which of the following points are mentioned:

- 1 The high profit margins on bags
- 2 Investing in markets that may take some time to grow
- 3 People are ready to pay a lot of money for very high-quality things because they are beautiful.
- 4 Building customer loyalty through ready-to-wear

C Read the article and complete the notes in the maps below. Then correct the ten mistakes.



Restless pursuer of luxury's future

by Vanessa Friedman

Sydney Toledano (Dior's Chief Executive) is one of the longest-serving chief executives in the luxury industry. As the industry goes global, he must balance the demands of shareholders and the values of a historic label, the need for exclusivity and the need for expansion.

He routinely communicates with his demanding boss, Bernard Arnault, main shareholder of Christian Dior, and a number of creative types, including Dior's clothes designer John Galliano and jewellery designer Victoire de Castellane.

'The best advice I ever got was that, when times are bad, you need to get out of the office; when things are good, you can spend time on the organisation,' says Mr Toledano, who travels almost every week to one of Dior's 224 stores round the world. 'You have to look for newness, look for what is happening next. Forget the calculator. Understand the people from different countries and what they want.'

It was by spending time in China in the 1980s, for example, when he worked at the French leather-goods house Lancel, that Mr Toledano first

realised China would one day be prime territory for luxury.

'I met some factory owners, and they were working so hard, but then they would bring you to a restaurant and it was clear they wanted to enjoy life,' he says. 'And I thought: one day these people are going to have money and they are going to spend it.'

A few years later, Bernard Arnault contacted him. 'The interview took 15 minutes. He knew exactly what he wanted,' says Mr Toledano: to take a small couture house he had bought out of bankruptcy and build it into the biggest luxury group in the world. Mr Arnault has used Dior to create LVMH (Louis Vuitton Moët Hennessy, the world's largest luxury group).

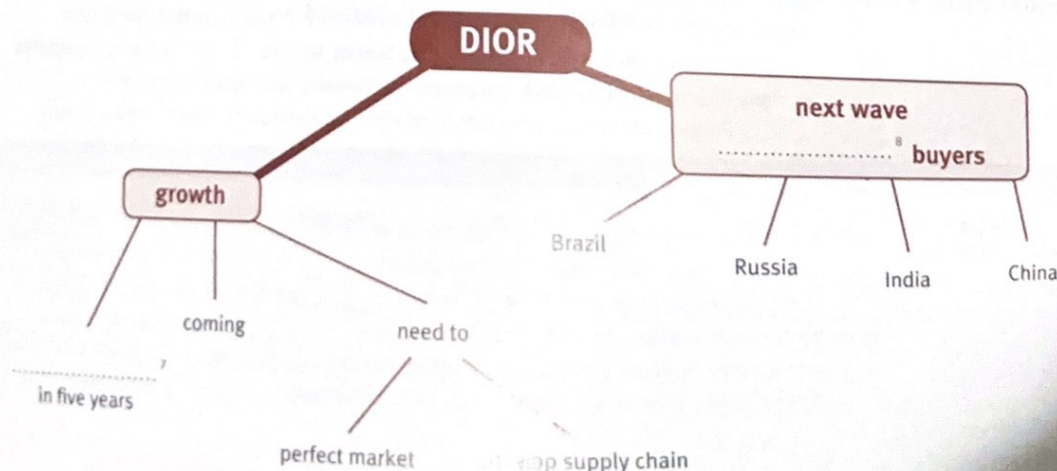
'Christian Dior can double in five years,' he says. 'There may be difficult times coming, but if you look at the Middle East, China, even Europe, I believe there is growth coming, and we have to develop our network and perfect our supply chain.'

The next wave of luxury buyers is now in the new territories: the Middle East, Russia, Hong Kong and South Korea.



Sydney Toledano, CEO Dior

Mr Toledano believes not only that a brand should go to its customers but that it should anticipate their needs and invest early in markets that may not show real growth for up to six years.



LANGUAGE REVIEW

Present simple and present continuous

The present simple and the present continuous have several uses.

- We use the present simple to give factual information, for example about company activities.
*Christian Dior Couture **makes** luxury, ready-to-wear fashion.*
*Dior Homme **targets** the male consumer.*
- We use the present simple to talk about routine activities or habits.
*Toledano routinely **communicates** with his demanding boss.*
*Toledano **travels** every week to one of Dior's 224 stores.*
- We use the present continuous to talk about ongoing situations and projects.
*Fashion house Christian Dior **is now selling** baby bottles.*
- We use the present continuous to talk about temporary situations.
*Dior **is currently looking** to recruit a marketing director for the UK and Ireland.*

➔ Grammar reference page 146

- A** Which of the time expressions below do we usually use with the present simple? Which do we usually use with the present continuous? Which are used with both?

usually	this year	every day	now
often	nowadays	once a month	currently
at the moment	these days		

- B** Complete these sentences with the present simple or the present continuous form of the verbs in brackets.

- a) At the moment, eBay (work) with brand owners to remove fake items.

b) eBay now (spend) \$20m a year analysing suspicious sales.
- a) Louis Vuitton usually (sell) its products through authentic Louis Vuitton boutiques.

b) At the moment, Louis Vuitton (negotiate) with Hubert de Givenchy.
- a) Both Apple and BlackBerry (launch) important new products this year.

b) These days, a lot of people (have) a BlackBerry.

- C** Complete this text with the present simple or the present continuous form of the verbs in brackets.

The Google brand¹ (grow) rapidly. According to the Millward Brown Brandz report, it² (hold) first place in the list of top 100 brands. In fact, the IT field³ (dominate) the top-ten corporate brands. Google⁴ (operate) websites at many international domains, the most popular being www.google.com, and⁵ (generate) revenue by providing effective advertising opportunities. Google always⁶ (focus) on the user, and consumers usually⁷ (see) Google as quite trustworthy.

Nowadays, companies⁸ (begin) to recognise that brands are amongst their most valuable assets. They understand that brands⁹ (become) ever more powerful in driving business growth. Strong brands¹⁰ (generate) superior returns and protect businesses from risk. Google currently¹¹ (hold) the top position, but it has to keep innovating if it wants to remain number one. BlackBerry and Nokia are the two fastest-growing brands in the top 100, and China Mobile¹² (grow) rapidly, too.

SKILLS

Taking part in meetings



A CD1.5 Four marketing executives at a sports sponsorship agency are talking about finding a new sport for their client, a well-known media company to sponsor. Listen to the conversation and answer the questions.

- 1 Why does the client want to change the sport they sponsor?
- 2 Which four sports do the executives consider?
- 3 Which sport does Mario suggest? Why does he suggest it?
- 4 What must David do before he contacts Larry Harrington's agent?

B CD1.5 Listen again and complete the extract.

- Joy Well, there are several possibilities.¹ ice hockey? It's an incredibly fast, exciting sport, it's very popular in America and in a lot of European countries.
- David OK, that's a possibility.², Natasha? Would ice hockey be a good choice?
- Natasha Mmm,³. It's not really an international sport, is it? Not in the same way as baseball, for example, or ... tennis.
- David⁴ – baseball's got a lot more international appeal, and it's a sport that's got a good image. I don't know about tennis – I'm not sure it would be suitable. Mario,⁵?
- Mario⁶, motor racing would be perfect for our client. It's fast, exciting, and the TV coverage of Formula One races is excellent. They would get a lot of exposure, it will really strengthen their image.
- David That's a great idea, Mario.⁷ get in touch with Larry Harrington's agency and see if he's interested? Harrington's young, exciting – he'd probably jump at the chance to work with our client. They're a perfect match. But first I must check with our client and make sure they're happy with our choice.

C Which of the phrases in Exercise B are:

- | | |
|------------------------|----------------------------|
| 1 asking for opinions? | 3 agreeing or disagreeing? |
| 2 giving opinions? | 4 making suggestions? |

D Role-play this situation.

Jeanne de Brion is a jewellery company in Boston, USA. A year ago, it launched a line of jewellery with the brand name 'Cecile'. This is the name of the French designer who created the collection. Unfortunately, the Cecile line has not achieved its sales targets. Three directors of the company meet to discuss how to improve sales.

Work in groups of three. Read your role cards, study the Useful language box and then role-play the discussion.

Student A: Turn to page 134.
Student B: Turn to page 140.

Student C: Turn to page 143.

USEFUL LANGUAGE

ASKING FOR OPINIONS

How do you feel about that?
What do you think?
What's your view?

GIVING OPINIONS

I think / I don't think that's a good idea.
In my opinion, we need new products.

AGREEING

That's true.
I agree.
Absolutely.
Exactly.
I think so, too.

DISAGREEING

I see / know what you mean, but I think there's a problem.
I'm not so sure.
Maybe, but that's not enough.

MAKING SUGGESTIONS

I think we should reduce our prices.
How about a special promotion?
Why don't we talk to the big stores?
Maybe / Perhaps we could offer incentives.

HUDSON CORPORATION

A luxury luggage manufacturer is facing increased competition from cheaper imports. It must decide how to protect its brand and create new markets for its products.



Background

Hudson Corporation, based in New Jersey, USA, makes top-of-the-range luggage and travel accessories. It is a well-known brand name in the USA. Its suitcases and bags are associated with high quality, traditional design and craftsmanship. Hudson emphasises in its advertising that its products are 'made in America'. Recently, the company's market share in the USA has decreased. One reason for this has been the increased competition from Asian companies selling similar products at much lower prices.

A year ago, the management decided to boost sales by entering the European market, focusing initially on Switzerland, Germany, France and Italy. They set up a branch office and warehouse facility in Zurich, which would be the base for their European expansion.

What problems do you think Hudson will face on entering the European market? Make a list of your ideas.

Market research

Hudson recently set up a series of focus groups to find out how consumers perceived the company's brand in the USA.

Which of the findings do you think may have contributed to the company's lower market share in its home market?

Do you think Hudson's luggage and bags are:	% of people answering 'yes'
expensive?	72
exclusive?	56
value for money?	48
good quality?	82
old-fashioned?	68
exciting?	15
innovative?	18



CD1.6 Four of Hudson's American managers are talking about the problems they could face in Europe. Listen and make notes on the key points.

MARKETING STRATEGIES FOR EUROPE – OPTIONS

Reposition the brand

Sell Hudson suitcases and bags at medium price ranges. Manufacture the products in a country where labour costs are low, e.g. India or China. Do *not* promote the products as 'Made in America'. Use a high-volume, low-cost strategy for Hudson's core products.

Develop the Hudson brand

Promote the Hudson products as an exclusive brand and keep the 'Made in America' tag. Sell the products in the higher price ranges. Use product placement in films and television to support the brand. Hire a famous, sophisticated, influential man and woman to endorse the products. Two well-known French film stars have shown interest in endorsing a new range.

Hire a top designer

Employ a top designer to produce a new range of smaller suitcases and shoulder bags aimed at businesspeople travelling in Europe and at rich, younger, fashion-conscious buyers. Sell the products under a new label.

Develop a wider product range

Sell a wider range of products under the Hudson label, e.g. trolley-backpacks, document cases, briefcases, name-card holders, shoulder bags for men and women. Sell at lower, competitive prices.

Stretch the Hudson brand

Put the Hudson brand on high-quality watches and jewellery. Make an agreement with the Swiss manufacturers of these top-of-the-range products.

Develop sales using e-commerce

Sell the existing product lines via the Internet at very competitive prices.

Task

- 1 Work in small groups as directors of the Hudson Corporation. Hold an informal meeting. Consider the advantages and disadvantages of each option listed above. Choose *two* of the marketing strategies which Hudson should focus on to expand sales in European markets.
- 2 Meet as one group and decide which *two* marketing strategies you will use to develop sales in European markets.

Writing

As the CEO of Hudson Corporation, write an e-mail to the head of European Marketing Associates, David Wright, summarising the actions you agreed to take at your meeting, with your reasons. Suggest a time for a meeting with David Wright and his associates.

→ Writing file page 127

Watch the Case study commentary on the DVD-ROM.