

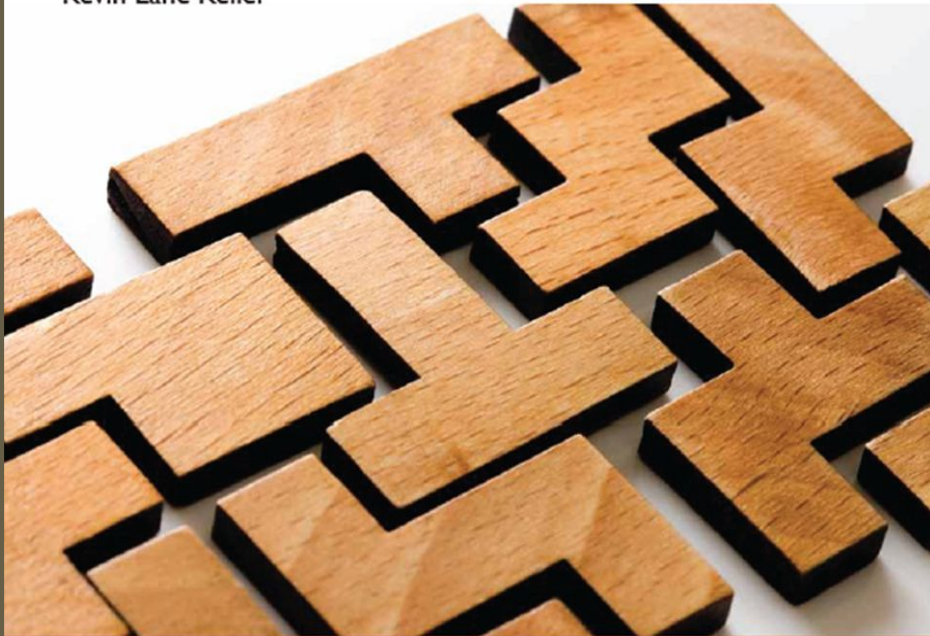
GLOBAL  
EDITION 

# Strategic Brand Management

*Building, Measuring, and Managing Brand Equity*

FOURTH EDITION

Kevin Lane Keller



ALWAYS LEARNING

PEARSON

## CHAPTER 1: BRANDS AND BRAND MANAGEMENT

# Learning Objectives

- Define “brand,” state how brand differs from a product, and explain what brand equity is
- Summarize why brands are important
- Explain how branding applies to virtually everything
- Describe the main branding challenges and opportunities
- Identify the steps in the strategic brand management process

# History of Branding

The word **BRAND** is derived from the Old Norse brand meaning "to burn," which refers to the practice of producers burning their mark (or brand) onto their products.

In ancient times, in order to identify the owner of the livestock, cattle breeders used hot ironing in to order to identify the owner of the cattle and differentiate it from others.



✓ 2 tricky words: **identify** and **differentiate**

# What is a brand?

- According to AMA (American Marketing Association)
- A brand is “ name, term, sign, symbol, or design or a combination of them intended to **identify** the goods and services of one seller or group of sellers and to **differentiate** them from those of competition”
- ✓ **2 tricky words: identify and differentiate**



# Even without the logo...



# Simply,

- Branding is a promise given to the customer; a promise that needs to be **fulfilled every single time.**



# In class reading: Coca Cola's Branding Lesson

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- Page 32 from textbook







# Q to the class

- Why do brands/branding matter? Why is it important?

1. Simplify decision making process

(E.g. in a supermarket to pick up coca-cola, le cola, bi cola, pepsi)

2. Reduces risk

3. Set expectations



# What is a Brand?

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**Set of expectations, memories, stories and relationships taken together!**

Brand Elements

Brands versus Products

# Brand Elements

- Different components that identifies and differentiates a brand
  - Name, logo, symbol, package design, or other characteristic
- Can be based on people, places, things, and abstract images



# Brand elements in many forms...




# Brand elements come together...

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<https://www.youtube.com/watch?v=auEdEYY3ao4>

Advertisement for Audi...

# Brand versus Product

Brand	Product
Has dimensions that differentiate it in some way from other products designed to satisfy the same need	Anything available in the market for use or consumption, that may satisfy <b>a need or want</b>
Can be differentiated on the basis of: <ul style="list-style-type: none"><li>• Packaging</li><li>• Services provided</li><li>• Customer advice</li><li>• Financing</li><li>• Delivery arrangements</li><li>• Warehousing</li><li>• Other things valued by the customers</li></ul>	Can be categorized into five levels namely: <ul style="list-style-type: none"><li>• Core benefit level</li><li>• Generic product level</li><li>• Expected product level</li><li>• Augmented product level</li><li>• Potential product level</li></ul> 



# E.g. customer advice



# 5 product levels



- Core benefit: Fundamental need. A lady wants to enhance her beauty so buys a make up kit.
- Generic product: A basic version of the product with no distinguishing features. What the product is made up? Blush, eye shadow trays, lipsticks, mascara and so on.
- The expected product: Attributes and features that a consumer generally expect ( Quality first but in our makeup set case, the color of the eye shadows must have good pigmentation. Everything included must be able to stay on for hours. )
- The augmented product: Adding extra features beyond expectations. The examples of augmented product for a makeup kit can be a surprise gift, samples, coupon for the next purchase, or adding an extra cosmetic inside not offered by other brands.  
**Competition mostly takes place in this segment.**
- Potential product level: all the transformations that the same product can undergo.  
**The ultimate product.** In make up, the continuous development in the make up like removing parabens or adding aloe-vera.

# But sometimes..



1980

2012



LADA. Perfect From The Beginning

# Brand vs Product

- The new competition is not between what companies produce in their factories but between what they add to their factory output in the form of **packaging, advertising, services, customer advice, financing, delivery arrangements, warehousing and other things.**

# To Sum Up ....

- Through branding, organizations:
  - Create perceived differences among products
  - Develop loyal customers
  - Create value that can translate to financial profits

✓ **Tricky word PREMIUM PRICING**

# Why Do Brands Matter?

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Consumers

Firms



# Consumers



Consumer: Encompass all types of customers, including individuals as well as organizations

- Functions provided by brands to consumers
  - Identify the source or maker of the product
  - Simplify product decisions
  - Lower the search costs for products internally (thinking) and externally (looking around)
  - Helps set reasonable expectations about what consumers may not know about the brand

# Consumers

- Signal product characteristics and attributes
  - On the basis of attributes products can be classified as:
    - Search goods (e.g. grocery products-visual inspection)
    - Experience goods (e.g. automobile tires-experience needed)
    - Credence goods (e.g. insurance coverage-rarely experienced)
- Reduce risks in product decision
  - These risk can be categorised as
    - Functional ,physical, financial, social psychological, and time



# E.g. Social Risk (embarrassment)

## Lululemon exec out after yoga pants fiasco

by Parija Kavilanz @CNNMoney

🕒 April 4, 2013: 1:43 PM ET

Recommend 1.9K



Lululemon's head of products is out after last month's see-through yoga pants fiasco.

### Social Surge - What's Trending



Chris Wallace delivers sterling performance as debate moderator



Trump's bullsh\*t: Why his supporters don't care that he's lying



Is the Philippines' outspoken president scaring away investors?

**Join**  
the CNN Global  
Newsview panel

The pants were recalled because they were unintentionally see-through. The defective product represented 17% of all women's yoga pants sold in Lululemon stores, and prompted a shortage of the pants.

# Firms

- Brands provide valuable functions
  - Simplify product handling and tracing
  - Help organizing inventory and accounting records
  - Offer the firm legal protection for unique features or aspects of the product (trade marks, patents, copyrights and designs)
  - Provide predictability and security of demand for the firm (customer satisfaction leads to loyalty ends up with repeat purchase)
  - Creates barriers of entry for competitors and provide a powerful means to secure competitive advantage

# Figure 1.3 - Roles that Brands Play

## Consumers

































- Identification of source of product
- Assignment of responsibility to product maker
- Risk reducer
- Search cost reducer
- Promise, bond, or pact with maker of product
- Symbolic device
- Signal of quality

## Manufacturers

- Means of identification to simplify handling or tracing
- Means of legally protecting unique features
- Signal of quality level to satisfied customers
- Means of endowing products with unique associations
- Source of competitive advantage
- Source of financial returns



# Best Global Brands 2016

01  <b>+5%</b> 178,119 \$m	02  <b>+11%</b> 133,252 \$m	03  <b>-7%</b> 73,102 \$m	04  <b>+8%</b> 72,795 \$m	05  <b>+9%</b> 53,580 \$m	06  <b>-19%</b> 52,500 \$m	07  <b>+14%</b> 51,808 \$m	08  <b>+33%</b> 50,338 \$m <small>TOP GROWING</small>
09  <b>+18%</b> 43,490 \$m	10  <b>+2%</b> 43,130 \$m	11  <b>+12%</b> 41,535 \$m	12  <b>-1%</b> 39,381 \$m	13  <b>+6%</b> 38,790 \$m	14  <b>+4%</b> 36,952 \$m	15  <b>+48%</b> 32,593 \$m <small>TOP GROWING</small>	16  <b>+4%</b> 30,948 \$m
17  <b>-3%</b> 26,552 \$m	18  <b>+9%</b> 25,034 \$m	19  <b>+8%</b> 23,998 \$m	20  <b>+2%</b> 22,681 \$m	21  <b>-4%</b> 22,106 \$m	22  <b>+13%</b> 21,293 \$m	23  <b>+3%</b> 20,265 \$m	24  <b>-10%</b> 19,950 \$m
25  <b>-3%</b>	26  <b>+8%</b>	27  <b>+19%</b> 16,766 \$m	28  <b>+6%</b> 16,134 \$m	29  <b>+4%</b> 15,333 \$m	30  <b>+8%</b> 15,099 \$m	31  <b>+3%</b> 14,227 \$m	32  <b>-6%</b> 13,136 \$m

n/best-brands/best-global-brands/2016/ranking/apple



# Q: Can Anything Be Branded?

- To brand a product marketers should identify
  - **WHO** the product is
  - Provide meaning for the brand **WHAT** it stands for

Since branding is about the perceptions of the consumer and rooted deeply in the minds of the consumers.

Marketers benefit from branding whenever consumers are in a choice situation.

# Can Anything Be Branded

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Physical Goods

Services

# Physical Goods

## Business-to-Business Products

Even commodities can be branded E.g. De Beers

Businesses put the fate of their company in the hands of another company E.g. aircraft engine vs. toothpaste

## High-tech Products

Many hi tech companies see branding as naming. But innovation is not solely enough for marketplace success. **See the next slide!**

# Example; Sony MP3 vs. Apple iPod



began using flash memory in the early 2000s. This 2003 Walkman features both 256 MB of built-in flash memory and



**iPod shuffle, 2006**

[Download \(zip\) ▶](#)

4.3 mb

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**iPod nano, 2006**

[Download \(zip\) ▶](#)

3.1 mb



**Nike + iPod, 200**

[Download \(zip\) ▶](#)

3.6 mb

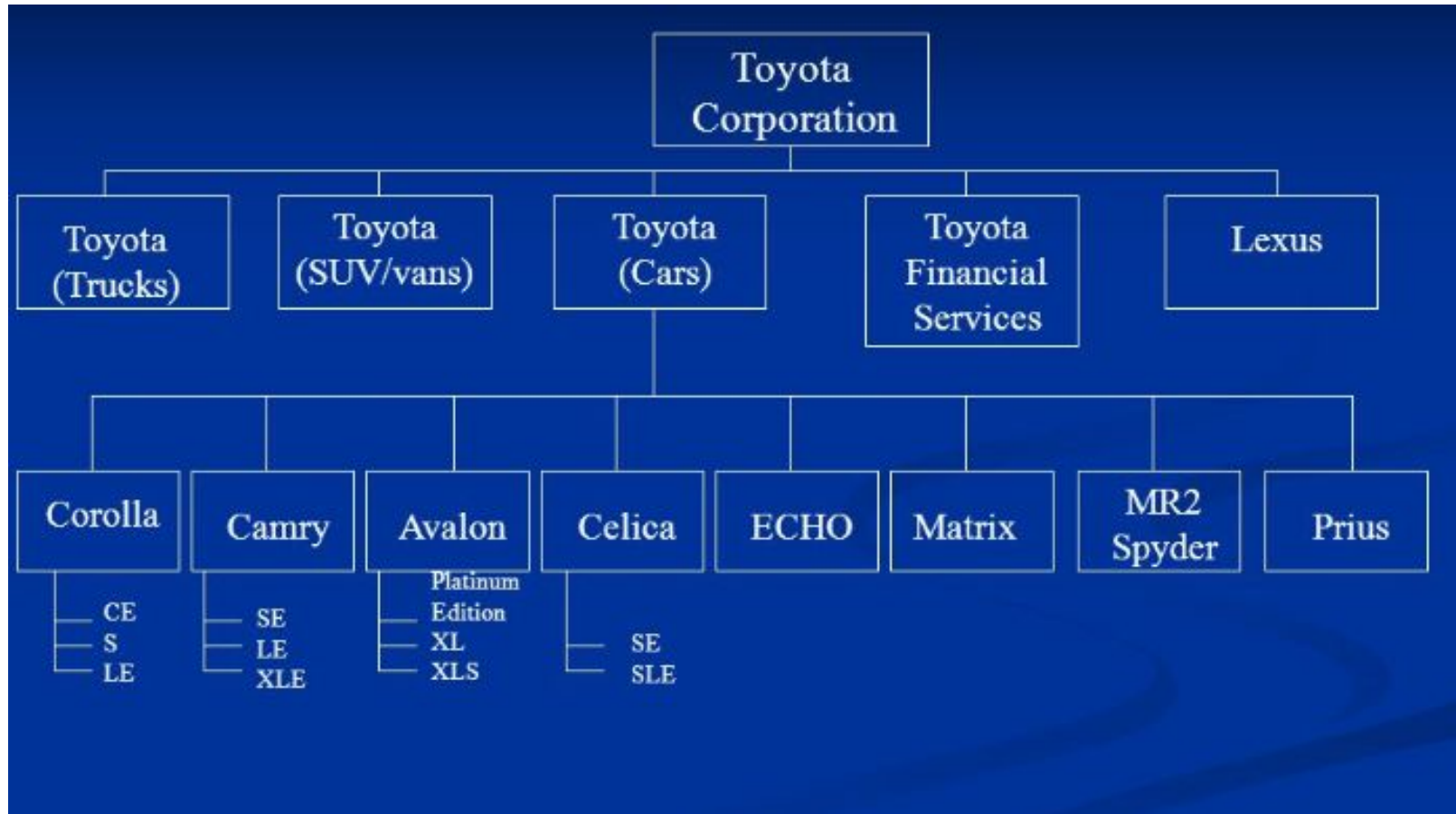
# Physical Goods: B2B Branding



B2B brands E.g. INTEL (Intel Inside Campaign),  
Accenture (Tiger Woods Campaign) etc.

- Guidelines for marketers of B2B brands
  - Ensure that entire organization supports branding and brand management. (especially salesforce since B2B requires more personal selling)
  - Adopt a corporate branding strategy if possible and create a well-defined brand hierarchy.
  - Frame value perceptions. (putting best foot forward)
  - Link relevant non-product-related brand associations (superior customer service, financial easiness)
  - Find relevant emotional associations for the brand.
  - Segment customers carefully both within and across companies.

# Brand Hierarchy of Toyota



# Services

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Role of Branding with Services

Professional Services

# Can Anything Be Branded

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Retailers and Distributors

Online Products and Services

People and Organizations



# Personal Brands



# Can anything be branded

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Sports , Arts, and Entertainment

Geographic Locations

Ideas and Causes

# To Sum up....

- Branding is universal and pervasive in different product categories
- Applicable to both tangible and intangible offerings of an organization
- Technological developments have impacted the way firms market their offerings
- Organizations reap financial benefits from positive brand images

# Strong Brands

- Brands that have been market leaders in their categories for decades
- Any brand is vulnerable and susceptible to poor brand management

# Factors Responsible for Branding Challenges

Savvy customers

Economic downturns

Brand proliferation

Media transformation

# Factors Responsible for Branding Challenges

Increased Competition

Increased costs

Greater accountability

# Figure 1.9- Challenges to Brand Builders

- Savvy customers
- More complex brand families and portfolios
- Maturing markets
- More sophisticated and increasing competition
- Difficulty in differentiating
- Decreasing brand loyalty in many categories
- Growth of private labels
- Increasing trade power
- Fragmenting media coverage
- Eroding traditional media effectiveness
- Emerging new communication options
- Increasing promotional expenditures
- Decreasing advertising expenditures
- Increasing cost of product introduction and support
- Short-term performance orientation
- Increasing job turnover



# Brand Equity

**Brand equity** is a phrase is a phrase which describes the value of having a well-known brand name.

Simply put brand equity = value of the brand



# Brand Equity

- Principles of branding and brand equity
  - Differences in outcomes arise from the “added value” endowed to a product
  - The added value can be created for a brand in many different ways (different branding strategies)
  - Brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand
  - There are many different ways in which the value of a brand can be exploited to benefit the firm (from customer loyalty to premium pricing)

# Strategic Brand Management Process

1. Identifying and Developing Brand Plans

2. Designing and Implementing Brand Marketing Programs

3. Measuring and Interpreting Brand Performance

4. Growing and Sustaining Brand Equity

# 1. Identifying and Developing Brand Plans

Brand Positioning Model

Brand Resonance Model

Brand Value Chain

## 2. Designing and implementing Brand Marketing Program

Choosing Brand Elements

Integrating the Brand into Marketing Activities and the Supporting Marketing Program

Leveraging Secondary Associations e.g. Made In Italy

# 3.. Measuring and Interpreting Brand Performance

- To manage brands profitably, managers must implement a brand equity measurement system
- Brand equity measurement system involves:
  - Brand audits
  - Brand tracking studies
  - Brand equity management system

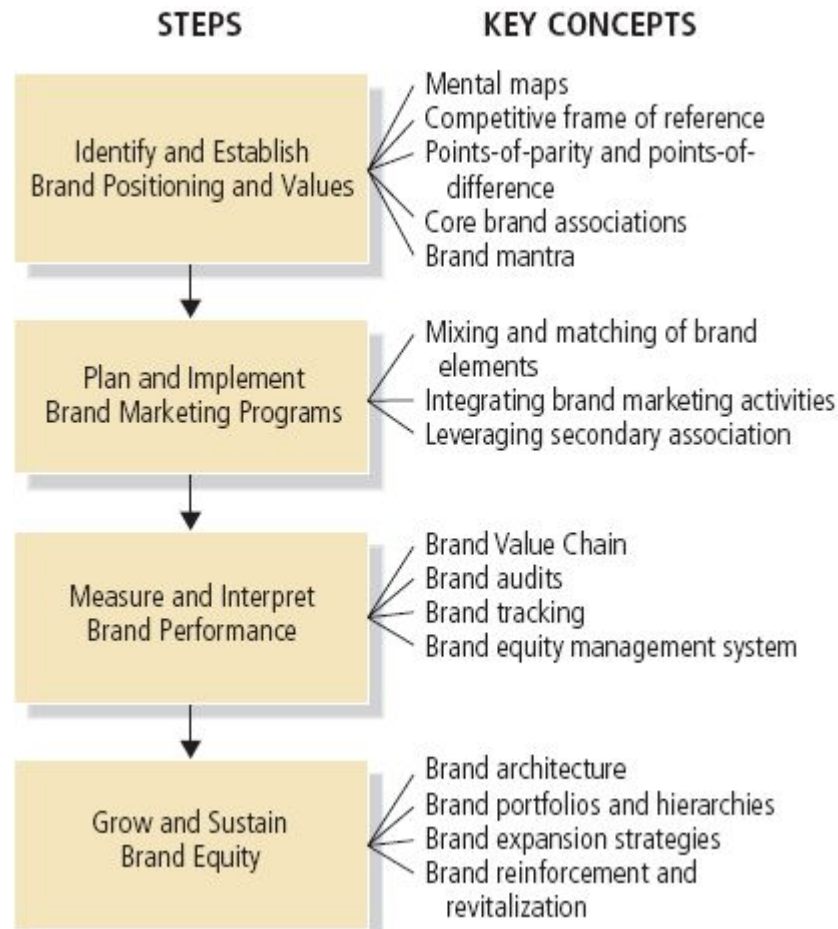
# 4. Growing and Sustaining Brand Equity

Defining Brand Architecture

Managing Brand Equity over Time

Managing Brand Equity over Geographic Boundaries, Cultures, and Market Segments

# Figure 1.12 - Strategic Brand Management Process



# Pepsi Brand Portfolio Example



*"Individual business units may choose to use or not use genetically-modified ingredients."—Pepsico.com*