MP-603

Vardhaman Mahaveer Open University, Kota

Product and Brand Management

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Product and Brand Management

Unit - 1 Product – An Overview

Structure of Unit

1.0 Objectives

After completing this unit, you would be able to:

- Understand what is a product;
- Know the levels of product;
- Learn about product classification;
- Know about product hierarchy;
- Know about product lines;
- Learn about brands and branding decisions ;

1.1 Introduction

Products are all around us, and yet it is not easy to define precisely what a product is. The difficulty is that same product may have different significance for different people. Manufacturers may define product as the thing they sell, in terms of their physical or chemical characteristics. A more market oriented definition might be based on the role it plays in the buyer's consumption system. The economist calls the product a bundle of utilities, which means everything the buyers, receives, including psychological utility as well as physical and chemical dimensions.

Product is one of the key elements of marketing mix. Modern day marketers consider services, experiences, ideas, persons, places, events, properties, and organizations etc. as products and devise suitable marketing strategies for them also. Products become more important in the sense that customers primarily get interested in dealing with the company because they feel that its products are capable of serving their needs. Companies should also not forget that all the customer wants from a company is product that serves his needs. This lesson attempts to provide an overview of the product.

1.2 What is a Product?

Marketing begins with the identification of consumer needs and wants, and culminates with successfully fulfilling those needs through the 4Ps of marketing. The concept of 4Ps of a marketing mix (product, price, place and promotion) was introduced by Jerome McCarthy. A marketer can satisfy the needs and wants of his customers by offering something in exchange for money. This offering is basically a product. The product is one of the important elements of the 4Ps of the marketing mix. It consists of a bundle of tangible and intangible attributes that satisfies consumers. A product can be a good, a service, an idea or a combination of all these. Goods are tangible in nature; a customer can touch and feel them. Depending upon the nature of goods they can be used either once or several times. Services are intangible, yet they provide utility/benefits to the consumer, for example postal services, legal services, health care etc. Services are perishable in nature and cannot be stored. For example, an airline ticket, a haircut etc.

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retailing, products are called merchandise. In manufacturing, products are purchased as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market. In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project. In general usage, product may refer to a single item or unit, a group of equivalent products, a grouping of goods or services, or an industrial classification for the goods or services.

A product is anything that can be offered to a market to satisfy a want or need. This is a narrow definition of product and focuses on the physical or functional characteristics of a good or service. A broad view of product extends beyond physical or functional attributes. This broad product concept includes package design and labeling, symbols such as trademarks and brand names, and customer –service activities that add value for the customer. A product is nothing but a bundle of physical, service, and symbolic attributes designed to enhance buyers' want satisfaction. Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places, people and ideas.

A product may be defined as a bundle of utilities consisting of various product features and accompanying services. The bundle of utilities or the physical and psychological satisfactions that the buyer receives is provided by the seller when he sells a particular product. According to Philip Kotler, "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need." Thus, anything, virtually anything can be covered within the ambit of attention (service or idea), acquisition (physical goods or tangible part of product), use (tangible or intangible part such as leased car when leasing is a service and car is a physical goods), or consumption (consumables such as food). In fact, the definition of product conveys more than just natural meaning. It conveys the company's business and therefore the related competitors.

Products can be *differentiated* on various bases like:

- *Form* – Many products can be differentiated on the basis of size, shape or physical structure. Sizes specially matter in products like television, computers, automobiles etc.
- *Features* – Most products are offered with varying features that supplement its basic function. Companies must identify and add new features and improve the old ones to be one up in the competition.
- *Quality* – Products may be differentiated on the basis of quality like low, moderate, high, superior etc. Both performance and conformance quality is important. *Performance quality* is the level at which the product's primary characteristics operate. *Conformance quality* is the degree to which all the product units are identical and meet the promised specifications.
- *Durability* – It is a measure of product's expected operating life under natural or condition of use. Buyers generally prefer products that last long.
- *Reliability* – It is a measure of the probability that a product will not malfunction or fail within a specified time period. Buyers normally prefer reliable products.
- *Reparability* – It is a measure of the ease of fixing a product when it malfunctions or fails. After sale services, therefore, become important in purchase decision.
- *Style* – It describes the product's looks and feel to the buyer. Latest styles normally are very important in case of readymade clothes, jewelry etc.
- *Design* – It is the totality of features that affect how a product looks and functions in terms of customer requirements. Designs are particularly important in marketing of apparels and consumer durables.
- *Services* – These are intangible components associated with products. Differentiation may be on the basis of ordering ease, delivery, installations, training, maintenance etc.

1.3 Levels of Product

A product has many other dimensions besides its physical appearance. In fact, a product is like an onion with several layers and each of the layers contributes to the total product image. Each level adds more customer value and these levels constitute a customer value hierarchy. Philip Kotler and other marketing gurus are of the opinion that a product has five layers or dimensions which must be distinguished.

These dimensions are: (i) Core Benefit, (ii) Basic Product, (iii) Expected Product (iv) Augmented Product and (v) Potential Product

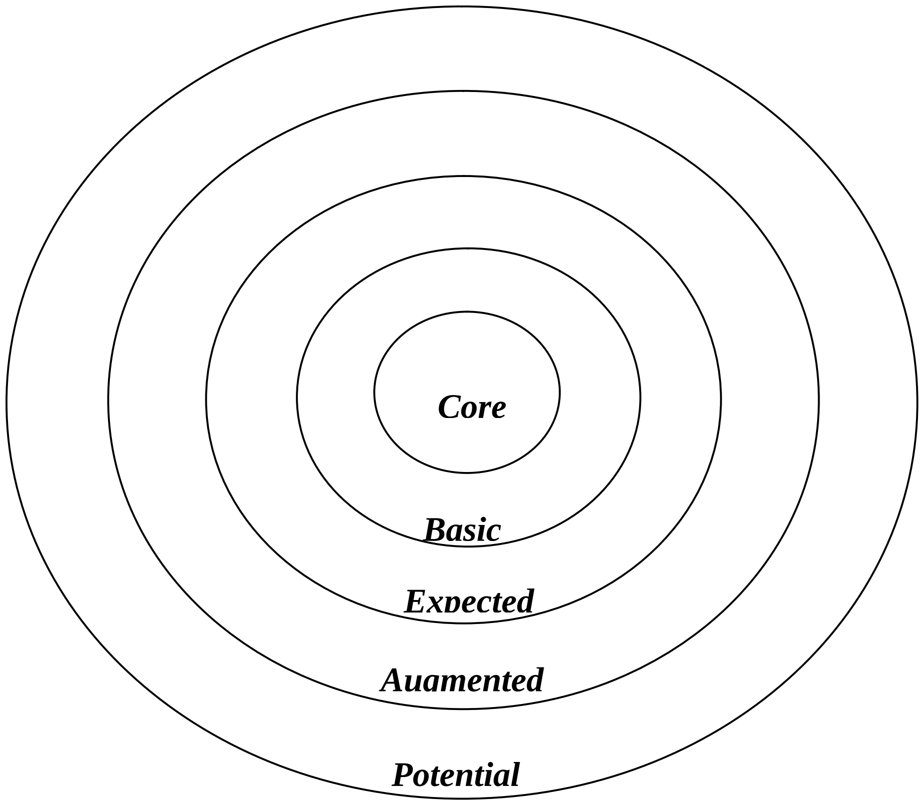

Figure 1.1: Levels of Products

(i) <u>Core Benefit</u> - It is the most fundamental dimension of a product. It represents a bundle of benefits that satisfy the core need of prospective buyer. The core product answers the question, "What is the buyer really buying"? For instance, a person buying a bed is buying comfort and not a mere collection of wood, nails, nuts and bolts. A woman buying a lipstick is buying hope and not a set of chemical and physical attributes. Actually, the basic job of any marketer is to sell the core benefits.

(ii) <u>Basic Product</u> - The basic product is what the target market recognizes as the offer. This is the part which may be seen, touched, felt and/or bought. For instance, bed, is recognized as collection of wood, nails, nuts and bolts; and lipstick as collection of chemical and physical elements, etc.

(iii) <u>Expected Product</u> - The customer expects the basic product, say computer, to be enveloped by certain features (Pentium microprocessor, 500GB hard Disk, 1 GBRAM); style (Desktop or Tower model); quality and brand (HP, Apple); and a warranty (one-year, two-years, three-years etc.). All these form the expected product.

An expected product is that product which is normally taken for granted by the customer. However, the minimum expected features/benefits may differ from product to product and from industry to industry.

(iv) Augmented Product - It is a broader conception of the product. It represents the totality of benefits that a person may receive or experience in getting the formal product. The augmented product of a T.V. seller is not only the T.V., but also delivery, free installation, and service and maintenance. This dimension of the product is very important for a firm operating in a competitive market. The firm that develops the right augmented product attracts more customers and survives in the competitive market. Normally, the competition does not start at the basic product level. It starts only when customer expectations are not met equally by all the manufacturers. If they are met, the next stage of differentiation is the augmented product. Here, the competition hots up if all the major brands have almost same features, quality, style, etc.

However, a company must consider the relative cost of the augmentation and the price accepted for the product by customer. The resulting trade-off sets the limits for product differentiation strategy to be adopted by the company.

(v) Potential Product - The last level of the product is its potential part, i.e., all the unexpected changes in technology, attributes, features, styles, colour, grade, quality, etc. that might change the structure and character of industry. For example, today changes in information technology have brought about changes in the processing speed of computers (8-bit, 16-bit, 32-bit, 64-bit, etc., and 100 MHz, 133 MHz, 200 MHz etc.). This has made up to anticipate even reduction in the size of computers – a pocket computer. However, till today it is still a potential part of the product (computer).

1.4 Product Classification

Products can be classified on the basis of their durability/tangibility and also their use:

Durability/Tangibility of Goods

On the basis of tangibility and durability products can be divided into three categories namely non durables, durables, and services;

(a) Non-durable Goods - These products are tangible goods that are normally consumed within one or few uses. These goods are purchased very frequently. For example, food-items like bread, biscuits; and toiletries, cosmetics, and dentifrices like toothpaste, soaps, perfumes, deodorants etc. These are made available for mass consumption at most of the shops at every nook and corner. As per unit price is low only a small profit margin is charged. These types of goods require heavy advertising to build preferences.

(b) Durable Goods - These products are tangible, that remain in use months after months and years after years. They are mostly sold through personal selling efforts and are normally available at specialty shops. For example, video/audio systems, washing machines, vacuum cleaners, refrigerator, air conditioners, cars, scooters etc. Normally, unit price is high and profit margins are also high.

(c) Services – They are non tangible and are actually activities or benefits that provide satisfaction to the customers. The activities are the physique clubs and fitness centers, the benefits are repair works, haircut, the satisfaction through eating at restaurant or attending a coaching course. The services are normally perishable and are inseparable from the place (restaurant), the performer (teacher, artist) and the product (Cell phone). They normally require more quality control, supplier credibility, and adaptability.

Uses of Goods

Product or goods can be classified into two broad categories, depending upon the use for which they are meant. These categories are: (a) Industrial goods, and (b) consumer goods:

(a) Industrial goods – This are the goods which help in production of final goods. They are intermediate goods and are helpful in manufacturing consumer products. For example, machines, nuts and bolts etc. The mention of industrial goods conjures images of components and raw materials, but not all industrial goods are as tangible as this. A number of additional items and services are important to ensure the smooth running of a factory. A classification exists to describe categories of industrial goods and services:

- *Capital items* – These are long lasting goods that facilitates developing and producing finished products. These fall into two categories namely installations and equipment. *Installations* include the buildings (factory, office) and machinery (generators, elevators, cranes) required for a company's manufacturing processes. These are very critical purchases and usually involve complex purchasing decision making processes with price not necessarily being the deciding factor when making such purchases. *Equipment* comprises of factory tools like hand tools, trolleys etc. and office equipments like table, chairs, computer etc. These equipments do not become the part of the finished product but help in their production.
- *Raw materials* are goods that enter the manufacturer's product completely. These are the most obvious of industrial goods and their procurement is the major task in a modern purchasing department. Here, buyers are specifically looking for a reasonable price coupled with quality and reliability of delivery. Raw materials fall into two categories namely farm products and natural products. *Farm products* include wheat, cotton, rice, livestock, fruits and vegetables etc. they may be supplied by many producers. These are mostly perishable products. *Natural products* include crude oil, iron ore, coal etc. These are limited in supply.
- *Manufactured material and parts* are items that are required in the finished product. They fall in two categories namely component materials and component parts. *Component materials* include iron, yarn, wires etc. They are usually fabricated further. For example, pig iron is made into

steel and yarn is woven into cloth. *Component parts* enter the finished product with no further change in the form. Examples include tyres, motors etc. Most manufactured materials and parts are sold directly to industrial users. Price and service are major marketing considerations, and branding and advertising tend to be less important.

- *Supplies* are short term goods and services that facilitate development and manufacture of products. These include items like cleaning and maintenance materials and stationery. Buying here tends to be of routine type and it is often a matter of simply reordering with price being the major criterion consistent with a standard specification of quality. Supplies are of two types namely *maintenance and repair items* like paints, nails, brooms etc and *operating supplies* like lubricants, paper, pencil, pens etc.
- *Business services* include *maintenance and repair services* like maintenance of air conditioners and repairs of computers etc. and *business advisory services* such as legal services, consulting services etc. These services are usually supplied on contract basis.

This classification is linked to organisational buying behaviour where the fact that buyers are dealing with larger sums of money and larger quantities tends to make it a more professional and organised process than in consumer goods purchasing.

(b) Consumer goods - These are the types of products and services with which we, as individuals, are familiar. Unlike industrial products, more irrational and emotional motives tend to be connected with their purchase and it is upon this factor that many manufacturers base much of their marketing effort. As with industrial goods, they also lend themselves to a number of sub-categories:

- *Convenience goods* are everyday items whose purchase takes little effort on the buyer's part. They can be classed as everyday necessities, purchased on a regular basis. Advertising plays an important role in terms of attempting to persuade the consumer to take a particular brand. Convenience goods may further be divided into staples, impulse and emergency goods. *Staple* convenience goods are purchased routinely for consumption and it is more difficult to differentiate one brand from another. Many such products are delivered to the door, for example, milk, biscuits, bread, noodles, and newspapers etc. *Impulse goods* are purchased without any planning or search effort. Magazines purchased in a train or bus may be a good example of impulse buying. *Emergency goods* are purchased when a need is urgent. For example umbrella and rain coat are purchased during rainy season.
- *Shopping goods* is the term used to describe durable products and their purchase tends to be at infrequent intervals. More planning goes into their purchase on the part of buyers and buyer behaviour is more complex. The purchasing cycle is much longer and more complex models of buyer behaviour apply. The goods are purchased after considering various factors such as suitability, quality, price, and style etc. Examples include furniture, clothing, kitchen appliances etc. Further classifications relate to

homogeneous shopping goods that are standard items like toasters and kettles. These are more or less similar in quality but differ in terms of price. and *heterogeneous shopping goods* that are non-standard and where personal choice plays a more important role. These goods differ in terms of features and services that may be more important than price to a customer.

- *Specialty goods* are major purchases made at infrequent intervals. Here, much probing in the market-place is undertaken by customers. Many more purchasing motivations are involved in the final decision and quite often the final purchase is a compromise decision between a numbers of purchasing criteria. Normally the buyer is ready to make extra purchasing effort to reach the seller or distributor of these products. Examples of such purchases are motor cars, jewelry, and expensive clothing.
- *Unsought goods* are ones that the purchaser has not actively considered buying. Techniques used in their marketing are often rather dubious and this has led to much criticism of marketing. Consumers usually have to be persuaded that they need such products, as it would never occur to them to go out and actively purchase. Insurance typifies such a service - particularly life insurance - where the potential customer does not necessarily see an immediate need for this service. Methods of selling such goods and services tend to use more directly targeted approaches like direct mail, telephone selling and door-to-door.

1.5 Product Hierarchy

Each product is related to certain other products. The product hierarchy stretches from basic needs to particular items that satisfy those needs. According to Philip Kotler, We can identify six levels of product hierarchy. Let us take the example of insurance to clear the related concepts:

(i) Need Family – The core need that underlines the existence of a product family. For example – Security needs

(ii) Product Family – All the product classes that can satisfy a core need with reasonable effectiveness. For example - Savings and income.

(iii) Product Class – A group of products within the product family recognized as having a certain functional coherence. For example – Financial instruments.

(iv) Product Line – A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels, or fall within given price ranges. For example – Life insurance.

(v) Product Type – A group of items within a product line that share one of the several possible forms of the product. For example – Money back life insurance plan.

(vi) Item – It is also called stock keeping unit or product variant. It is a distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute. For example – Life insurance money back policy, Jeevan Surbhi.

Two other terms are frequently used with respect to the product hierarchy. A product system_is a group of diverse but related items that function in a compatible manner. For example when we buy computers then we have to buy a complete system including UPS, Printer, Speakers, and Scanners etc. Similarly cameras are bought with zoom lenses, tripod stand, film rolls or memory sticks, flash lights etc. A product mix or product assortment is the set of all products and items that a particular seller offers for sale to buyers.

1.6 Product Lines

A product line is a group of products that are closely related, either because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges. For example Hindustan Unilever Limited offer various soap brands like Dove, Lux, Liril, Rexona, Pears, Lifebouy etc. forming one product line.

A line can comprise related products of various sizes, types, colors, qualities, or prices. **Product Line width** refers to number of product lines a company is offering. **Product line length** refers to number of brands/items in a product line. **Line depth** refers to the number of product variants in a line. **Line consistency** refers to how closely related the products that make up the line are. **Line vulnerability** refers to the percentage of sales or profits that are derived from only a few products in the line.

A marketing manager has to take various decisions related to product lines:

(a) Product-line analysis **-** Product line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest or divest.

(b) Sales & Profits - A high concentration of sales in a few items means line vulnerability. These items must be carefully monitored and protected.

(c) Market Profile - The product line manager should review how the line is positioned against competitor's lines. The product map is useful for designing product-line marketing strategy. Another benefit of product mapping is that it identifies market segments. After performing a product-line analysis, the product-line manager has to consider decisions on product-line length, line modernization, line featuring and line pruning.

(i) Product-line length - A product line is too short if profits can be increased by adding items; the line is too long if profits can be increased by dropping items. A company lengthens its product line in two ways: by line stretching and line filling. *Line stretching* occurs when a company lengthens its product line beyond its current range.

(a) Down market stretch - A company positioned in the middle market may want to introduce a lower price line for any of three reasons:

- The company may notice strong growth opportunities in the down market as mass retailers attract a growing no. of shoppers who want value-priced goods.
- The company may wish to tie up lower-end competitors who might otherwise try to move up market.
- The company may find that the middle market is stagnating or declining.

(b) Up market stretch - Companies may wish to enter the high end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers.

(c) Two-way stretch - Companies serving the middle market might decide to stretch their line in both directions.

(ii) Line Filling - A product line can also be lengthened by adding more items within the present range. There are several motives for line filling: reaching for incremental profits, trying to satisfy dealers who complain about lost sales because of missing items in the line, trying to utilize excess capacity, trying to be leading full-line company, and trying to plug holes to keep out competitors.

(iii) Line Modernization - In rapidly changing product markets, modernization is carried on continuously. Companies plan improvements to encourage customer migration to higher-valued, higher-priced items.

(iv) Line Featuring and Line pruning - Product-line managers must periodically review the line for pruning. The weak items can be identified through sales and cost analysis. Another occasion for pruning is when the company is short of production capacity. Companies typically shorten their product lines in periods of tight demand and lengthen their lines in periods of slow demand.

1.7 Brands and Branding Decisions

A *brand* is a 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. Brands are one of the most valuable assets that a company has and brand equity is one of the most important aspects which reflect financial value of a brand. Actually brand is not merely a tag. It is financial asset of the company and generates cash flows. To firms, brands, now represent enormously valuable pieces of legal property that can influence consumer behaviour, be bought and sold, and provide the security of sustained future revenues to their owner.

Brand equity is this added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share and profitability that the brand commands for the firm. It is an important intangible asset that has psychological and financial value. Brand equity highlights customer loyalty. It also helps in taking brand and line extension decisions. It may also create entry barriers for competitors, as competitors' stay away if an industry or a company has well established brands.

Strong brand increases cash flow by increasing market share, reducing promotional costs, and allowing premium pricing. Brand is also an asset that can be encashed if the brand is sold or leased. We can, however, identify three major benefits of brands as discussed below:

- **Financial** - Brand commands price premium over a generic product. For example, if consumers are willing to pay more for a branded product over the same unbranded product, this premium is due to the brand.
- **Brand extensions** - A successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer. Furthermore, appropriate brand extensions can enhance the core brand.
- **Consumer-based** - A strong brand increases the consumer's attitude strength toward the product associated with the brand. Attitude strength is built by experience with a product. The consumer's awareness and associations also is increased and lead to perceived quality, inferred attributes, and eventually, brand loyalty.

Brand may ultimately manifest itself in several ways. Three of the most important ways are - the price premium to consumers or the trade that the brand commands, the long-term loyalty the brand evokes, and the market share gains it results in. Other benefits include improved perceptions of product performance; less vulnerability to competitive marketing actions; less vulnerability to marketing crisis; greater trade co-operation and support; and possible licensing opportunities.

1.8 Packaging and labeling

Packaging is an important part of product. It is the outer covering in which the product is kept. Packaging fulfils three functions namely protection, promotion and handling.

Packaging is beneficial to consumers, manufacturers as well as middlemen.

Packaging offers following advantages to consumers:

- Helpful in providing information about the product;
- Reduces possibility of adulteration;
- Increases the ease in handling;
- Helpful in providing necessary instruction for the use of product;
- Helpful in providing necessary information about the producer.

Advantages of packaging for the manufacturers are as under:

- It keeps the product safe;
- It minimizes the possibilities of adulteration;
- It facilitates storage;
- It is helpful in advertising and sales promotion;

Middlemen get following advantage from packaging:

- Helpful in presenting the product before the consumers;
- Helpful in storage;
- Helpful in handling;
- Self advertising.

A marketer must decide whether to develop a family resemblance in the packaging of its several products. Family packaging involves the use of identical packages for all products or the use of packages with some common feature. Management philosophy concerning family packaging generally parallels its feeling about family branding. When new products are added to a line; promotional values associated with old products extend to the new once. On the other hand, family packaging should be used only when the products are related in use and are of similar quality.

In general management has two reasons for considering a package change to combat a decrease in sales and to expand a market by attracting new group of customers. More especially a firm may want to correct a poor feature in the existing container or a company may want to take advantages of new material. Some companies change their containers to aid in promotional programmes.

Another strategy to be considered is reuse packaging. Should the company design and promote a package that can serve other purposes after the original contents have been consumed? Glasses containing cheese can be used to serve fruit juice. Food jars make great containers for small items like nuts, biscuits, pulses etc.

Label consists of information that accompanies the product. A label may be part of package or it may be a tag attached directly to the product. A label identifies: Who made the product? Where it was made? What are its ingredients? And how it should be used? Date of manufacture and expiry; the price to be charged; brand name; net quantity of contents etc. are some of the important information on the label.

1.9 Warranties and Guarantees

All manufacturers and marketers are legally bound to provide sound products and services to their customers. Guarantees and warrantees, therefore, become vary important. Warranties and guarantees are formal statements of expected product performance by the manufacturer. Products under *warranties* can be returned for repairs and/or replacement of faulty parts. Products under *guarantees* can be returned for replacement or refund. Warranties and guarantees whether expressed or implied, are legally enforceable.

Guarantees and warranties provide an assurance to the buyer. They reduce the buyer's perceived risk. They suggest that the product is of high quality and that the company and its service performance are dependable. All this adds to the sale of product and also enables a company to charge high price if the competitor is not offering guarantees and warranties.

Guarantees and warranties work well in two situations. First, if the company is new. And the second, if the product is new to the masses. In both the situations it provides an assurance to the customer that high is buying right product from right manufacturer.

1.10 Summary

A product is anything that can be offered to a market that might satisfy a want or need. Modern day marketers consider services, experiences, ideas, persons, places, events, properties, and organizations etc. as products and devise suitable marketing strategies for them also. A product has many other dimensions besides its physical appearance. In fact, a product is like an onion with several layers and each of the layers contributes to the total product image. Product, therefore, can be understood in terms of levels and hierarchy. On the basis of tangibility and durability products can be divided into three categories namely non durables, durables, and services. Product or goods can be classified into two broad categories, depending upon the use for which they are meant. These categories are: Industrial goods, and consumer goods. Product also includes a brand name, packaging and labelling. A brand is a 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. Packaging is outer cover that contains the product. Labelling is the information provided on the packaging. Guarantees and warranties provide an assurance to the buyer. They reduce the buyer's perceived risk. They suggest that the product is of high quality and that the company and its service performance are dependable. All this adds to the sale of product and also enables a company to charge high price if the competitor is not offering guarantees and warranties.

1.11 Self Assessment Questions

1. What do you understand by the term 'Product'? Discuss various product decisions that are taken by marketing managers.
2. Discuss various levels of products citing suitable examples.
3. How will you classify products? Explain various types of products.
4. How is packaging and labeling beneficial to a marketer?
5. What is a brand? What are its advantages?
6. Throw light on product hierarchy.

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Unit - 2 Product Development

Structure of Unit

2.0 Objectives

After completing this unit, you would be able to:

- Understand the meaning and classification of new products;
- Understand the significance of new products;
- Know who is responsible for new product development ;
- Learn about new product development process;
- Understand how firms create new products;
- Know the challenges in New Product Development.

2.1 Introduction

Companies must strive for developing new products to maintain market leadership. This can be done through strong research and development and through visionary leadership. These companies may create right kind of culture that encourages new product ideas. These ideas may be converted to concepts and ultimately to new products and services. Companies may also modify and introduce these products to various countries for the very first time.

Actually, a company can add new products either through acquisition or development. The acquisition route can take three forms. The company can buy other companies, it can acquire patents from other companies, or it can buy a license or franchise from another company. The development route also can take two forms. The company can develop new products in its own laboratories or it can contract with independent researchers or new product development firms to develop specific new products. Once the product is acquired or developed, it has to be nurtured over the years. Many companies do not develop new products rather wait for a bigger firm, normally the market leader to go for it. They come out with similar but improved product once new product by market leader establishes itself. This lesson is an attempt to understand the process of product development and various issues related to it.

2.2 Meaning of New Product

Let us first try to understand what is a new product? Many questions may come to our minds.

- Is it a product that has been invented and made for the first time?
- Is it a product that opens up an entirely new market?
- Is it a product that adapts or replaces an existing product?
- Is it a product that significantly broadens the market?
- Is it an old product which has been introduced in a new market for the first time?
- Is it an old product that has been packaged differently?
- Is it an old product that is being marketed differently?

All these, in a way or other, are new products. Actually, the term 'new product' depends on the context in which it is talked about. The term new product, therefore, refers to a product that has been invented and made for the first time; or a product that opens up an entirely new market; or a product that adapts or replaces an existing product; or a product that significantly broadens the market; or an old product which has been introduced in a new market for the first time; or an old product that has been packaged differently; or an old product that is being marketed differently. Booze, Allen and Hamilton has identified six categories of new products:

(i) *New-to-the-world products*: New products that have been invented for the first time and create an entirely new market are termed as new-to-the-world products.

(ii) *New product lines*: New products that allow a company to enter an established market for the first time.

(iii) *Additions to existing product lines:* New products that supplement a company's established product lines (package sizes, flavors and so on)

(iv) *Improvements and revisions of existing products:* New products that provide improved performance or greater perceived value and replace existing products.

(v) *Repositioning:* Existing products that are targeted to new markets or market segments.

(vi) *Cost reductions:* New products that provide similar performance at lower cost.

New products, however, may also be classified into two groups:

(i) New products arising out of technological innovations.

(ii) New products arising out of marketing-oriented modifications.

The first group includes intrinsically new products having new functional utilities. The second group includes products that come out of marking oriented innovations on existing products. These are essentially new versions of the existing products. The newness may be due to some modifications in ingredients used, or some change in design, change in packaging; addition of new features etc. The newness may also be due to repositioning of the existing product, or finding new use for the existing product, or offering the existing product with new sales appeal to a new market segment.

2.3 Significance of New Products

New product development has always been an important component of a firm's product decisions. A firm may not be able to survive or make profit for long time period with its existing products. Products become obsolete with the passage of time; new and better technology comes in the market; and tastes and preferences of customers also change with the time. In order to keep pace with all these new products are required. New products specifically help a company as mentioned below:

(i) ***Help in meeting changing consumer demand*** – Consumer needs, preferences, habits, behaviour, customs change with the passage of time. Sometimes liking and loyalty for the old product goes and new liking for different or new products develop. All companies, therefore, require introduction of new products to meet these changing demands. Change in food habits, fashions and fads related to clothes, household items etc. are examples of such shift. Earlier we used to have picture tube based television sets, now we like wall mounting LCD, LED, or Plasma television sets. Customers always seek better products and services, more convenience in products, latest fashion and more value for money. A business house has to respond to these changes in order to survive in the market place for a long period of time.

(ii) ***Help in improving sales and profits*** – New products, on becoming successful; add to company sales and also profits. It is possible that company's existing products might have reached a point of saturation. Sales volume and profits might have been stagnating. In this scenario new products bring in more sales and add to overall profits. New products also help in maintaining sales and profits in case, existing products reach maturity or enter decline phase.

(iii) ***Help in utilization of capacity*** – New products, if can be produced on same production platform, helps in capacity utilization. Sometimes production capacity is under-utilized; production of new products help a company utilizes this capacity.

(iv) ***Help in meeting competition*** – New products keep a company ahead of its competitors. Company can take the advantage of an early start and may garner a major chunk of market share with the help of new products.

(v) ***Help in combating environmental threats*** – for a company, threats emanate from different aspects of marketing environment such as changes in economic, social, political and technological conditions. Legal restrictions may prevent a company to expand in a particular sector. Liberalization may allow entry of global players; supply restrictions on raw material may be imposed by the government; pollution norms may become stringent etc. New products may take care of all these threatening changes and enable a firm to respond properly and effectively.

(vi) *Help in product line filling* – New products fill the gap in a product line. The company might be having some gaps in their current product lines which may be filled with the help of new products. This way company will give more choice to its customers and expansion of product line give them an edge over competitors.

2.4 New Product Development Responsibility

Companies may handle new-product development process in several ways. The most common are:

(i) Product Managers: Many companies assign responsibility for new-product ideas to product managers. In practice, this system has several faults. Product managers are so busy managing existing lines that they give little thought to new products other than line extensions. They also lack specific skills and knowledge needed to develop new products.

(ii) New-product Managers: This position professionalizes the new-product function. However, like product managers, new-product managers tend to think in terms of modifications and line extensions limited to their product market.

(iii) New-product Committees: Many companies have a high-level management committee in charge of reviewing and approving proposals.

(iv) New-product Departments: Large companies often establish a department headed by a manager who has substantial authority and access to top management. The departments' major responsibilities include generating and screening of new ideas, working with the R&D department, and carrying out field-testing and commercialization.

(v) New-product Venture Teams: A venture team is a group brought together from various operating departments and charged with developing a specific product or business. They are 'entrepreneurs' who are relieved of their other duties and given a budget, a time frame, and a 'skunk works' setting. Skunk works are informal places, sometimes garages, where entrepreneurial teams attempt to develop new products.

2.5 New Product Development Process

Companies pass through many stages in order to create and develop new products. First product idea is generated using observation or brainstorming. A prototype of the product is then prepared which is refined again and again. Finally product is launched in the market. Different companies name these phases differently but main objective of each stage remain more or less same.

A new product entry by a competitor may trigger a market opportunity for a firm, which can use reverse engineering to understand the competitor's products and then bring an improved version to the market. *Reverse engineering* involves taking apart a product, analysing it, and creating an improved product that does not infringe upon the competitor's patents, if any exist. This copycat approach to new product development is widespread and practiced by even the big firm including multi-national companies. Computers, automobiles, electronic products are a few examples of this way of product development.

Most, however, agree that new product development process comprise of eight stages including the idea generation; idea screening; concept development and testing; marketing strategy development; business analysis; product development; market testing; and commercialization. These stages are not water tight compartments and some of them may start or end simultaneously. However, their order normally remains the same.

(i) Idea Generation **–** This is the first stage of new product development process. The main objective of this stage is to develop as many ideas as possible. Ideas may be generated internally or externally. Customer needs and wants are the logical place to start the search for ideas. Employees may also be asked about new ways of improving production, products and services. Good ideas may also come through researching competitor's products and services. Company's sales representatives, intermediaries and top management are also good sources for ideas. Brain storming and synectics are considered to be a very good technique for generating new ideas.

Many firms have their own R&D departments, in which scientists work and develop new ideas. Since inception, pharmaceutical companies have relied heavily on R&D efforts in developing new molecules and medicines. In other industries, such as software, IT etc., R&D department has been instrumental n generating ideas for new products. In recent years, more and more firms are joining consortia, or group of other firms and institutions, including government and educational institutions, to explore new ideas or obtain solutions for developing new products. Here, the R&D investments come from the group as a whole, and the participating firms and institutions share the result.

Companies may buy rights to use the technology or ideas from other firms through a licensing agreement, especially for scientific and technological products. This approach saves the high cost of in-house R&D.

Good ideas may also be generating buy analyzing *lead users*. These are innovative product users who modify existing products according to their own ideas to suit their specific needs. These lead users customize the firm's products; other customers might wish to do so as well. Thus, studying lead users helps the firm understand general market trends that might be just on the horizon. Manufacturers and retailers of fashion products often spot new trends by noticing how trend-setters have altered their clothing, shoes and other accessories.

Market research groups are also useful resource. They conduct frequent studies on the consumers, products, competition etc. These studies often reveal product gaps. All product gaps, however, can not lead to commercially viable new products. Firm choose the promising gaps and frame viable product concepts.

Many techniques like attribute listing, forced relationships, morphological analysis, reverse assumption analysis, and mind mapping etc. may also be used for stimulating creativity in individuals and groups for new ideas.

Even though ideas flow from various channels, the chances of them getting noticed, depend upon persons or teams in charge for new products development in an organization.

(ii) Idea Screening **–** This is the second stage of new product development process. The objective here is to select better ideas and to eliminate unsound ideas prior to devoting resources to them. Many questions as given below may be asked to screen out the ideas:

- Is there a felt need for the new product?
- Will the customer benefit from the product?
- Is it an improvement over existing products?
- Is it feasible to manufacture the product?
- Will the product be profitable when manufactured and delivered to the customer?
- Can the existing production and marketing staff handle the product?

Many companies motivate their employees to submit new ideas. Some companies have devised standard formats for this purpose. Employees fill various information like the product idea, the target market, and the competitors etc. The new ideas are reviewed by experts from inside or outside. Ideas may even be ranked and company may start working on the best one and other may be taken up at some later stage, if desired. Actually all ideas may be classified into three categories – promising idea, marginal ideas, and rejects. The promising ideas are again reviewed and surviving ideas then move into full scale screening review.

Brain storming technique is used extensively in this phase too. One of the key characteristics of a brain storming session is that no idea can be immediately accepted or rejected. Experts' attention may be drawn towards specific product features and attributes, performance expectation and packaging etc. at the end of the brain storming session experts may vote to select best possible ideas or combination of ideas. These ideas are then taken to the next stage.

In screening ideas, the companies must avoid two types of errors. A *DROP error* occurs when the company dismisses an otherwise good idea. It is extremely easy to find fault with other people's ideas. Some companies shudder when they look back at ideas they dismissed or breathe sighs of relief when they realize how close they came to dropping what eventually became a huge success. A *GO error* occurs when the company permits a poor idea to move into development and commercialization.

(iii) Concept Development and Testing **–** Ideas with potential are then developed into product concept and tested. Concept development means giving shape to idea in terms of product features, functions, packaging etc. Concept testing entails presenting consumers with an elaborated version of the concept. It also involves presenting the product concept to appropriate target consumers and getting their reactions. The more the tested concepts resemble the final product or experience,

the more dependable concept testing is. If the concept fails to meet customers' expectations, it is doubtful it would succeed if it were to be produced and marketed. As concept testing occurs very early, even before a real product has been made, it helps the firm avoid the costs of unnecessary product development.

For concept testing, the firm is likely to start with exploratory research, such as in-depth interviews or focus groups. After this the firm can undertake conclusive research through internet or field surveys. A questionnaire, containing several questions related to the product, may also be used as an instrument of research for this purpose. Marketers must specifically try to understand respondents' buying intentions and also whether product will satisfy their needs and if so better than other products? Depending on the type of product or service, marketers and researchers might also ask about the expected frequency of purchase, how much would they buy, whether they would buy for themselves or for a gift, when would they buy, and whether the price information indicates a good value. In addition, marketers usually collect some demographic information so that they can analyse which consumer segments are likely to be most interested in the product.

Off late, *conjoint analysis* has become one of the most popular concept development and testing tools. Consumer preferences for alternative product concepts can be measured through conjoint analysis, a method for deriving the utility values that consumers attach to varying levels of product's attributes. Respondents are shown different hypothetical offers formed by combining varying levels of the attributes, then asked to rank the various offers. Management can, then, identify the most appealing offer and the estimated market share and profit the company might realize.

Some concepts never make it past this stage, particularly if respondents seem uninterested.

(iv) Marketing Strategy Development **-** Once the testing is over, the next stage is development of a preliminary marketing strategy for the introduction of the new product. The marketing strategy consists of three parts. First – it describes the target market's size, structure, and behavior; the planned product positioning; and the sales, market share, and profit goals sought in the first few years. Second – it outlines the planned price, distribution strategy, and marketing budget for the first year. Third – it describes the long run sales and profit goals and marketing mix strategy over time.

(v) Business Analysis - After the management develops the product concept and the marketing strategy, it can evaluate the proposal's business attractiveness. Management needs to prepare sales, demand, cost, and profit projections and to determine whether they satisfy company objectives. If they do; the project concept can move to the product-development stage. Other financial tools like Break even analysis and Risk analysis is also used for this purpose.

In order to estimate total sales for a new product, first time sales, replacement sales, and repeat sales are estimated. Various costs are estimated by R&D, manufacturing, marketing, and finance department respectively.

Through *break even analysis*, management estimates how many units of the product, the company would have to sell to break even with the given price and cost structure. Or the estimate may be in terms of how many years it will take to break even. If management believes sales could easily reach the break even number, it is likely to move the project into product development phase.

The most complex method of estimation is *risk analysis*. Here three estimates (Optimistic, pessimistic, and most likely) are obtained for each uncertain variable affecting profitability under an assumed marketing environment and marketing strategy for the planning period. The computer simulates possible outcomes and computes a rate of return probability distribution showing the range of possible rates of return and their probabilities.

(vi) Product Development **-** After the business analysis, the concept moves on to R&D for development of physical product. This step involves huge costs. At this stage the company decides whether the idea can be translated in to a commercially feasible product. The R&D first develops a prototype and ensures that it includes all that the customer wants. A *prototype* is the first physical form of a new product, still in rough or tentative form that has the same properties as a new product but is produced through different manufacturing processes, sometimes even crafted individually. The R&D people not only design the product's functional characteristics but also communicate its psychological aspects through physical cues. Marketers inform the R&D about the attributes customer seek and how consumers judge whether these attributes are present or not.

Once the prototype is ready it undergoes rigorous functional and customer tests. *Alpha testing* is done within the firm to see how it performs on different functions. Here, the firm attempts to determine whether the product will perform according to its design and whether it satisfies the need for which it was intended. Rather than using potential customers, these tests are conducted in R&D department. *Beta testing* enlists a set of customers to use the product and give there feedback on their experiences. Potential consumers examine the product prototype in a real use setting to determine its functionality, performance, potential problems and other issues specific to its use. The firm might develop several prototypes that it gives to users, and then survey these users to determine whether the product worked as intended and identify any issues that need resolution. This is mainly helpful when the customers are heterogeneous and potential applications are not fully known. Customer testing can take a variety of forms, from bringing the customer into the lab to giving them samples to use in their homes.

Consumer preferences can also be measured in several ways. The *rank order method* asks the consumers to rank the different prototypes in order of preference. The *paired comparison* method calls for presenting pairs of items and asking the consumer which one is preferred in each pair. The *monadic rating* method asks the consumer to rate liking of each product on a scale.

(vii) Market Testing **-** After management is satisfied with functional and psychological performance, the product is ready to be dressed up with a brand name and packaging, and put to a market test. The new product is introduced to an authentic setting to learn how large the market is and how consumers and dealers react to handling, using, and repurchasing the product.

Firms first conduct *pre market tests* before they actually bring the product to market to determine how many customers will try. A few customers are chosen and are exposed to marketing mix variable such as product sample, advertising etc. Their feedback is then taken and product or marketing mix is modified, if need be. Product is then ready for test marketing.

The ultimate way to test a new consumer product is to put it into *full-blown test market*s. The company chooses a few representative cities, and the sale force tries to sell the product and giving it good shelf exposure. Here the management faces several questions like: *How many test cities? Which cities? Length of test? What Information? What action to take?* Etc. the amount of market testing is influenced by the investment costs and risks on one hand, and the time pressure and research cost on the other.

A test marketing effort uses all elements of marketing mix. It includes promotions like advertising; coupons and samples; product appears in targeted retail outlets; with appropriate pricing. After some period of time, customers, retailers, wholesalers and other stakeholders are surveyed. On the basis of results of the test marketing, the firm can estimate demand and repeat purchase. From these results, the firm decides, whether to commercialize the product, abandon it, redesign it or revise marketing plan.

If the test market shows high trial and repurchase rates, the product should be launched nationally or globally. If the product shows high trial rate but low repurchase rates, customers are not satisfied and product should be redesigned or dropped. In a fast changing market place, the companies are eager to get to the market first. Test marketing, however, slows them down and reveals their plans to competitors.

Business goods can also benefit from market testing. Expensive industrial goods and new technologies will normally undergo alpha testing and beta testing. During beta testing vendor’s technical people observe how test customers use the product, a practice that often exposes unanticipated problems of safety and servicing and alerts the vendor to customer training and servicing requirements.

(viii) Commercialization **–** If market testing shows positive results, the firm is ready to introduce the product to the entire market. This most critical step requires tremendous financial resources and extensive co-ordination of all aspects of marketing mix. If new product launch is a failure, it may be difficult for the product, and perhaps the company, to recover.

If the company goes ahead with commercialization, it will face its largest cost to date. The company will have to contract for manufacture or build or rent o full scale manufacturing unit. Another major cost is marketing. In commercializing a new product, market entry timing is critical. The company faces three choices:

- *First Entry*- The first entering the market usually enjoys the ‘first mover advantage’ of locking up key distributors and customers and gaining reputational leadership.
- *Parallel Entry*- The firm might time its entry to coincide with competitor’s entry. The market may pay more attention when two companies are advertising the new product.
- *Late Entry*- The firm might delay its launch until after the competitor has entered. The competitor will have borne the cost of educating the market.

The company must also decide whether to launch the new product in a single locality, a region, several regions, the national market, or the international market. Most will develop a planned market roll out over the time. Company size is an important factor here. Large companies will introduce their products into a whole region and then move out to the next region. Most companies design their product for the domestic market. If the product does well, the company considers exporting to other countries.

After the product has been launched, marketers must undertake a critical post launch review to determine whether the product and its launch were a success or failure and what additional resources or changes to the marketing mix are needed, if any. Firms measure the success of a new product by three interrelated factors:

(i) its satisfaction of technical requirements, such as performance;

(ii) customer acceptance; and

(iii) its satisfaction of the firm’s financial requirements, such as sales and profits.

If the product is not performing sufficiently well, poor customer acceptance will result, which in turn leads to poor financial performance.

2.6 Challenges in New Product Development

Companies that fail to develop new products are putting themselves at a great risk. Their existing products are vulnerable to changing customer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition**.** New product development, however, is a highly expansive, time consuming and risk laden affair. Only those organizations that have the capacity to absorb various shocks can really go ahead with new product development task. These organizations have to spend heavily in their R&D and they often have several new product ideas in queue, each in different stage of formulation.

Normally big firms, usually the market leaders, go for new product development. Vast majority of companies prefer to be followers and like to use reverse engineering or copycat approach to come out with similar products.

Some of the specific challenges in the development of new products, as mentioned by Kotler et.al, are discussed below:

- *Shortage of important ideas in certain areas*: There may be ways left to improve some basic products (such as steel, detergents).
- *Fragmented products*: Keen competition is leading to market fragmentation. Companies have to aim their new products at smaller market segments, and this can mean lower sales and profits for each product.
- *Social and governmental constraints*: New products have to satisfy consumer safety and environmental concerns. Governments require slowing down innovation in drugs, toys and some other industries.
- *Costliness of the development process*: A company typically has to generate many ideas to find just one worthy of development. Furthermore, the company often faces high R&D, manufacturing and marketing costs.
- *Capital Shortages*: Some companies with good ideas cannot raise the funds needed for research and launch them.
- *Faster required development time*: Companies that cannot develop new products quickly will be at a disadvantage. Companies must learn how to compress development time by using computer-aided design and manufacturing techniques, strategic partners, early concept tests, and advanced marketing planning. Alert companies use *concurrent new-product development,* in which cross-functional teams collaborate to push new products through development and to market.
- *Shorter product life-cycles:* When a new product is successful, rivals are quick to copy it.
- *High rate of new product failures:* many new product ideas do not reach markets at all. Even those new products, which manage to reach the market after years of preparation and work, often fail. Even successful new products, in many cases, have short lived success and die out after the initial boom.

While new products may bring more profits and growth, it is not easy to bring in intrinsically new products. In fact, it is generally beyond the means and capabilities of most of the enterprises. So most firms normally bring in, improved and modified versions of their existing products. Companies make every effort to keep improving their offers in all possible ways like better features, better components, easier operation, and better aesthetics and so on.

2.7 Product Adoption Process

An innovation refers to any good, service or idea perceived as new. Rogers defined the "diffusion" as the process by which an "innovation" is communicated over time among the individuals. Adoption on the other hand is the decision of the consumer to become regular user of product. Different stages in adoption of an innovation or a new product are as follows:

Awareness – The consumer becomes aware of the innovation but may not have information about it.

Interest – The consumer gets attracted to the product and seeks information about the innovation

Evaluation – The consumer analyses the product and accordingly frames his expectations from the product

Trial – The consumer tries the product and compares the value of the product with his expectations from the product.

Adoption – The consumer decides to make regular use of the product if he gets satisfied with the trial of the product.

People differ in their readiness to try new products. On the basis of their readiness and their adoption of innovations with respect to time, they can be classified into different categories of adopters. Rogers defines a person's innovativeness as "the degree to which an individual is relatively earlier in adopting new ideas than the other members of his social system". Every diffusion of innovation follows a nominal curve with time as given below:

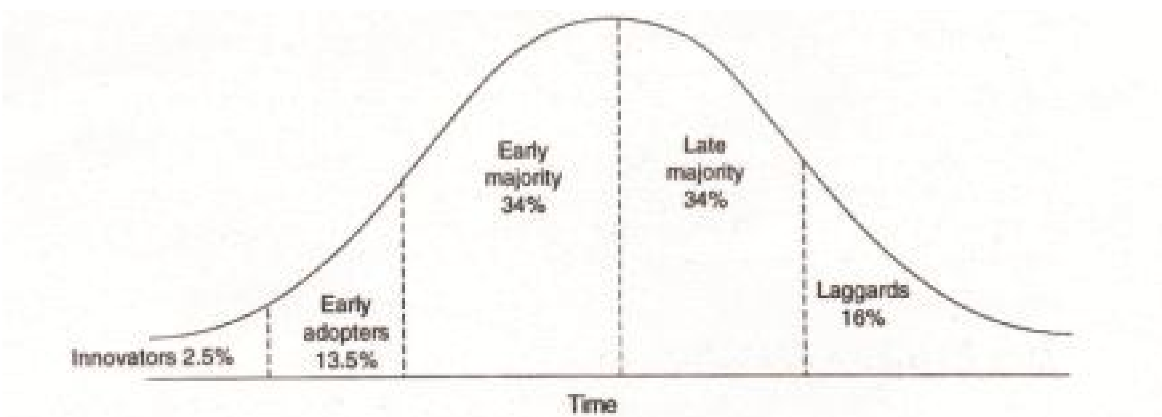

Figure 2.1 Product-Adopter Categorisation

- Innovators: These are venturesome people and kick start the adoption process. They like new ideas and are willing to try new products. They are often well educated, young, confident and financially strong.
- Early Adopters: This group consists of opinion leaders. These people speed up the adoption process. But they carefully assess the product. before trying or using the product. Their experience with the product may help in spreading information through word-of-mouth communication.

- Early Majority: This is a large group purchases product when reassured that the product works and has been proven in the market. They are above average in terms of age, education, social status, and income. Unlike the early adopters, they hold their purchase and wait for prices to fall. They get information about the product from informal sources and are often motivated by other people who have already made the purchased.
- Late Majority: These people are skeptical of new ideas and adopt new products only to make their social or economic presence. This group is below average in education, social status and income.
- Laggards: This group of people is suspicious of all new ideas and their opinions are very hard to change of all the groups. They buy the product when the new product no more remains new laggards have the lowest income, social status and education and take a long time to adopt an innovation if at all.

2.8 Summary

In order to successfully operate in the market place, a firm has to continuously develop and introduce many new products. Companies that fail to develop new products are putting themselves at a great risk. Their existing products are vulnerable to changing customer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition. The term new product, therefore, refers to a product that has been invented and made for the first time; or a product that opens up an entirely new market; or a product that adapts or replaces an existing product; or a product that significantly broadens the market; or an old product which has been introduced in a new market for the first time; or an old product that has been packaged differently; or an old product that is being marketed differently. A firm may not be able to survive or make profit for long time period with its existing products. Products become obsolete with the passage of time; new and better technology comes in the market; and tastes and preferences of customers also change with the time. In order to keep pace with all these new products are required. New products are developed using various stages that include idea generation, idea screening, concept development and testing, marketing strategy development, business analysis, product development, market testing and commercialization. New product development is a highly expansive, time consuming and risk laden affair. Only those organizations that have the capacity to absorb various shocks can really go ahead with new product development task. These organizations have to spend heavily in their R&D and they often have several new product ideas in queue, each in different stage of formulation. Normally big firms, usually the market leaders, go for new product development. Vast majority of companies prefer to be followers and like to use reverse engineering or copycat approach to come out with similar products.

2.9 Self Assessment Questions

1. What do you understand by 'New Product'? Discuss with suitable examples and justification.
2. Discuss the stages of new product development process.
3. Discuss a few challenges in new product development.
4. Write notes on the following:
   (a) Test marketing (b) Business analysis
5. With the help of suitable examples, discuss the significance of new products.
6. Write notes on the following:
   (a) Idea Generation (b) Commercialisation

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Unit – 3 Product Labeling and Packaging

Structure of Unit

3.0 Objectives

After completing this unit your would be able to :

- Understand product related strategies.
- Point out major packaging and labeling considerations.
- Know about significance of societal view of packaging.
- Understand the designing of label and package.
- Pointout criticism of Packaging.
- Discuss functions and types of labeling and packaging.

3.1 Introduction

Business houses/firms perform specific marketing functions related to product marketing, in order to make the product identification permanent and smooth, through marketing decisions like Branding, Trademark and Patenting, Packaging and Labeling. As a result, they can be identified easily, can be differentiated from other style and category of products, It also creates a specific image of product in the minds of customers and helps in product identification. Product identification is an important area of product management, which works for product management, which works for product development.

3.2 Product Labeling

Labeling is also an important decision related to product marketing. In fact, packaging, branding and labeling go together and constitute an integral part of product planning and development. Label as a part of a product, gives verbal information about the product and the seller. The purpose of labeling is to give the consumer information about the product he is buying. **Mason and Rath** defines labeling as that part of a product which carries verbal information about the product or the seller. A label may be a part of a package, or it may be a tag attached directly to the product.

3.2.1 Characteristics

1. Labeling is a subset of packaging.
2. The label may be a simple tag attached to the product or an elaborately designed graphic that is part of package.
3. The label may carry only the brand name or a great deal of information. Law may require some additional information.
4. Label can be used in promotional, informational and legal ways.
5. Today, labels are an integral part of a typical package.
6. Labels send strong messages.
7. The product label is a key cog in branding strategy. It can complement a brand.
8. Labels eventually become outmoded and need freshening up.
9. Labels can mislead customers, fail to describe important ingredients, or fail to include needed safety warnings. As a result, several government laws regulate labeling.

3.2.2 Information on Label

According to **Kotler** labels may range from single tags attached to products to complex graphics that are part of the package. They may perform several functions :

(i) The label identifies the product or brand.

(ii) It may also grade the product or describe several things about the product, like :

  (a) Who made it?
  (b) Where it was made?
  (c) When it was made?
  (d) What are its contents?
  (e) How it is to be used? and
  (f) How to use it safely?

(iii) The label may promote the product through attractive graphics.

Terpstra opines that ‘labeling is closely related to packaging but it has its own particular parameters. The major elements are language, government regulations and consumer information. Even if labels were standardised in format and message content from country to country, still the language would probably vary in each market.

Labels are classed as : (1) brand, (2) grade, (3) descriptive, and (4) informative. Brand label mentions the brand name or mark. Grade label identifies the quality by a letter, number or word, e.g., AAA, Fancy Grade, Grade No.1 and 2. Descriptive and informative labels are similar. They give helpful information on the following :

(1) Brand name, (2) Name and address of producer, (3) Weight, measure, count, (4) Ingredients by percentages where possible, (5) Directions for the proper use of the product, (6) Cautionary measures concerning the product and its use, (7) Special care of the product, if necessary, (8) Recipes on food products, (9) Nutritional guidelines, (10) Date of packing and date of expiry, (11) Retail price, and (12) Unit price for comparison.

Consumers want grade labeling to be made compulsory. The label should also help in unit-price comparison. It must supply all essential information. Accurate, reliable and up-to-date labeling includes more than label on a package; it must also include accompanying sales literature.

3.3 Types of Labels

There are various kinds of labels described as under :

1. **Brand Label :** It is simply the brand alone applied to the product or package. For example, gift packs of Titan watches.
2. **Grade Label :** It identifies the quality of a product with a letter, number or word.For example different types of Usha fans are labeled as Prima, Deluxe and Continental.
3. **Descriptive Label :** It gives objective information about the product's use, preparation, care, performance, quantity of product, contents of product, date of manufacturing, date of expiry, maximum retail price (MRP) etc.
4. **Nutritional Label :** It states the nutritional values in case of edible product. It uses health-related terms such as low fat, light, high fiber, low cholesterol, low sodium and fresh also reveals the calorie consumption etc with reference to specific quantity of product.
5. **Persuasive Label :** It focuses on a promotional theme or logo and consumer information is secondary. It may feature a picture of the brand to strengthen brand identity.
6. **Informational Label :** It is designed to help consumers make proper product selections and lower their cognitive dissonance after the purchase. For example No MSG (Monosodium Glucamate) is printed on noodles and potato chips packaging.
7. **Label of Confidence :** This is a form of informational label. But it gives such product information as durability, colour, features, clean ability, care instructions, and construction standards. For example wordsand symbols like fragile, handle upside etc.

3.4 Eco-Labeling

21st century has been considered as the century of environmental awareness in all countries. Consumers would now prefer products which are environment friendly. Eco-labels on the product is awarded on the basis of a product's environmental friendliness. Eco-label is at present voluntary. The European Community has issued guidelines on all important environmental effects throughout the product life-cycle, from production to disposal to the final consumer. Eco-labels are granted for only a limited period. The green marketing may be world-wide phenomenon in the 21st century. Many countries may have legislation to control environmental damages, particularly solid waste disposal.

3.5 Functions of Labels

Labels perform several functions that are as follows:

1. The label identifies the product or brand.
2. It attracts consumer attention.
3. It provides information the consumer needs for his purchase decision and consumption of the product.
4. It encourages purchases.
5. It can promote the product through its attractive graphics.
6. The label might also grade the product.
7. It might describe the product : who made it, where it was made, when it was made, what it contains, how it is to be used, and how to use it safely.
8. It sends messages to consumers.
9. It might reinforce the brand's positioning.
10. It may comply with general and industry-specific laws and regulations.

3.6 Product Packaging

Packaging means to pack or cover a product, so that it can remain safe and can be easily taken from one place to another. In other words, packaging refers to the use of container or returnable material, which includes labeling and aesthetic aspect, so that it remains safe, can be sold easily and is convenient for consumer's use.

William J. Stanton says, "Packaging may be defined on, the general group of activities in product planning which involves designing and producing the container or wrapper for a product". According to **Mason and Rath**, "Packaging is the use of containers and wrapping materials plus decoration and labeling to protect the product, to help and promote its sale and to make it convenient for the customer's to use the product. In the words of **R.S. Davar**, "Packaging may be defined as the art and/or science concerned with the development and use of materials, methods and equipments for applying a product to a container or vice-version designed to product the product throughout the various stages of distributions."

Thus, packaging is an art and science, which is related to developing to suitable container and wrapper for use and safe distribution of the product.

3.6.1 Characteristics of Packaging

1. It is an act of wrapping or covering a product.
2. It is a group of ordinary actions for product planning.
3. Packaging is related to the making of wrapper of product and its design.
4. It's an art and science.
5. It is a new behaviour and extra-ordinary promotional technique.
6. It's a medium of safe transportation of goods to consumers.
7. It automatically includes branding and labeling because label is put on package and label mostly carries brand.
8. Packaging is different from packing. Packing means closing things in wrappers and containers whereas packaging concerned with decisions and art of manufacturing of these containers and wrapper . So, packing is a part of packaging.

3.7 Functions of Packaging

The main objective and functions of packaging is safe distribution of products to consumers and to provide protection assurance. Prof. Stanton has told four objectives of packaging : (a) Safety (b) Identity (c) Convenience and (d) Possibility of increase in profit. The other objectives to accomplish main objectives are :

1. **Protection :** The price objective of packaging is to provide safety to product. It saves the product from harmful effects of head, Dust, Moisture, Water, Insects and Damage. Not only this, it provides safety from theft and adulteration.
2. **Attraction :** The work and objective of packaging is to increase the attraction of product. Impressive and beautiful packaging attracts the customers by far, and he desires to buy it, leaving all other things.
3. **Convenience :** Another objective and work of packaging is to help the customer in holding, lifting, putting and storage, thus making it convenient for him.
4. **Identification :** When there is no significance in the goods of competitive manufacturers then packaging is done with objectives to give identification to its product.
5. **Economy :** packaging also help the economic use of product, so that the product can be used in desired quantity or volume.

6. **Storage :** Packaging is also done for proper storage, so that they don't get damaged.
7. **Possibilities of Profit Earning :** Packaging helps to increase the possibilities of profit earning of producer and seller.
8. **Essential Information :** Packaging also provides different informations to customers.
9. **Sales Promotions :** Packaging's objectives and work is to promote sales of a product because whatever is written or displayed on the packing, warns the customers.

3.8 Attributes of a Good Package

A package should : (1) protect the contents from breakage or spoilage (2) be easy to open, dispense from and close, (3) be safe to use, (4) keep the product from deterioting, (5) be of proper size and shape, (6) be reusable, able to be recycled or be biodegradable, (7) be economical, (8) be available in the sizes appropriate to the market segments served. These are the attributes of a package as a part of the product. However, package also serves a medium of communication. In this capacity, the good package will : (1) be attractive, (2) project a favourable image of the product (3) play the role of silent salesman. (4) be readily identifiable in a shopping situation, (5) act as a unique selling proposition, (6) have a clearly readable description of the contents, (7) offer information on assembly, preparation and use, (8) communicate the benefits of the product to the targeted market segment, and (9) not be deceptive or misleading in size, contents, etc.

3.9 Role, Uses and Importance of Packaging in Marketing

Packaging is often the key element in assisting consumer-goods companies to achieve a comparative advantage. In recent years, the marketing significance of packaging has been increasingly recognized. Packaging provides important benefits for the manufacturer, retailer and ultimate consumers. Its importance is explained below :

1. **Strategic and Marketing Tool :** Packaging can be a powerful competitive tool as well as a major component of a marketing strategy. **Kotler** says, "Well-designed packages can create convenience value for the consumer and promotional value for the producer. Thus, packaging has become a potent marketing tool in recent times".

A marketer must decide whether to develop a family resemblance in the packaging of its several products. Family packaging involves the use of identical packages for all products or the use of packages with some common feature. Management philosophy concerning family packaging generally parallels its feeling about family branding. When new products are added to a line; promotional values associated with old products extend to the new once. On the other hand, family packaging should be used only when the products are related in use and are of similar quality. In general management has two reasons for considering a package change – firstly, to combat a decrease in sales and secondly, to expand a market by attracting new group of customers. More specifically a firm may want to correct a poor feature in the existing container or a company may want to take advantages of new material. Some companies change their containers to aid in promotional programmes.

2. **Sales Weapon :** The package performs many of the sales tasks. It attracts attention, describes the product features, creates customer confidence, and makes a favourable overall impression. It also helps in self-service sale.

3. **Consumer Affluence :** Today consumers are willing to pay a little more for the convenience, apperance, dependability, and prestige of better packages.

4. **Company and Brand Image :** Companies are recognizing the power of well, designed packages to contribute to instant recognition of the company or brand.

5. **Innovation Opportunity :** Innovative packaging can bring large benefits to consumers and profits to producers. This can attract many new customers.

6. **Builds Brand Equity :** Well-designed packages can build brand equity and drive sales. Packaging can reinforce a brand. A clever package can differentiate the product. Roger Kerin says, "Packaging has been shown to exchange brand recognition and facilitate the formation of strong, favoruable and unique brand associations."

7. **Shapes Buyers' Impression :** Package characteristics help shape buyers' impressions of a product at the time of purchase or during use. Kotler remarks, "The package is the buyer's first encounter with the product and is capable of turning the buyer on or off. Packaging also affects consumers' later product experiences".

8. **Achieves a number of Objectives :** Packaging helps achieve a number of objectives such as :

   * Identify of brand
   * Persuasive information
   * Facilitating product transportation and protection
   * Help in at-home storage
   * Aid in product consumption

9. **Distinctive Image :** Packaging gives the brand a distinctive image of being tamper proof and hence free from any adulteration. Ultimately, a package may become a product's differential advantage.

10. **Big Selling Medium :** Philip Kotler writes, "In this highly competitive environment, the package may be the **seller's last chance** to influence buyers. But changes in the marketplace environment are

now making the package itself an increasingly important selling medium. “He further remarks, “Poorly designed packages can cause headaches for consumers and lost sales for the company. By contrast, innovative packaging can give a company an advantage over competitors and boost sales. Sometimes even seemingly small packaging improvements can make a big difference, “William Stanton remarks, “Some features of the package may serve as a **sales appeal**. At the point of purchase, the package serves as a **silent salesperson**”.

11. **Use in Self-Service :** The widespread use of self-service selling and automatic vending means that the package must do the selling job at the point of purchase. Shelf space is often at a premium.

12. **Increases Profit Possibilities :** Management may package its product in such a way as to increase profit possibilities. A package may be so attractive that customers will pay more just to get the special package – even though the increase in price exceeds the additional cost of the package.

13. **Perceptual Benefits :** Packaging may create a good perception of the product’s image in the consumer’s mind. For many years, the brands were sold in old-fashioned black and white packages. But when the packaging was changed to four colour, with animated grape and cherry characters, sales increased 25 percent. Imagine Coca-Cola’s contoured bottle shape. For example, consumers tend to have stereotypes about country-product pairing that they judge “best” – English tea, French perfume, Italian leather, and Japanese electronics – which can affect a brand image in consumer’s mind.

14. **Other Benefits**

* Packaging is truly a major competitive force in the struggle for markets.
* Public‘s rising standards in health and sanitation have contributed to the importance of packaging.
* Most retailers are inclined to cater to producers who have used effective packaging.
* Packaging may implement a company’s marketing programme.
* Packaging helps to identify a product and thus may prevent substitution of competitive goods.
* It also conveys the label information on it.
* Packaging changes can have immediate impact on sales.
* When the package is drastically changed, it can, in effect, mean the creation of a ‘new’ product.

3.10 Innovative Packaging

With product competition getting to be increasingly difficult in the market place marketers are now turning to innovative packaging to establish the distinctive edge. There is now a thin dividing line between value-added package and promotions for a marketer. There has been a spate of packaging innovations that go beyond mere shelf visibility (for impulse purchase) and excitement. Marketers are co-ordinating innovative packaging with brand equity and brand loyalty. Packaging innovations based on consumer needs can help in retaining loyalty to the brand. The Ouch Pouch innovation of a neat plastic bag with a zipper lock that could be carried in the pocket, containing five strips of Band-Aid of Johnson and Johnson is a fine example of a shift in packaging thinking to satisfy a consumer need.

Modern package provides more value addition to products and more benefits during usage. Harpic liquid toilet cleaner with its directing nozzle. Catch 22, salt and pepper in self-contained dispensers having the consumer the bother of transferring the products into shakers, Bournvita's 200gm, reusable mug-cum jar pack, Cadbury's drinking chocolate in a shaker pack, its cocoa in a special measuring cup are examples of innovative packaging capable of becoming a very effective tool of sales promotion gaining competitive advantage for the brand. In many cases, such packaging can turn out to be a promotional campaign in itself to gain quick short-term market share, to boost sales and retain brand loyalty. The Hindustan Lever's Le Sancy soap with its unique bean shape was sold in transparent plastic soap box moulded to the same colour, shape and apperance (package identical with the soap). Within a few months of launching this package, the marketer won 20 per cent market share in the most premium soap markets. It seems we are coming to a time when packaging itself will be treated as a product worked upon with the same care that goes into developing a consumer product.

3.11 Social View of Packaging

Significance of societal view of packaging has been summarized below :

1. Pollution control is a burning issue in packaging particularly in Western countries. Broken bottles, crushed cartons, and bent cans litter the streets and choke municipal dumps. This has created the solid waste problem in those countries. All packaging programmes must weigh environmental and ecological issues.

2. Resource scarcity is another problem. Precious natural resources are being wasted on non-returnable (disposable) containers, e.g., soft drink bottles and beer bottles. Later they create pollution problem as they are littered here and there by the consumers after use. Such a consumption pattern cannot be tolerated now.

3. Among the resources which are being wasted, energy sources are the most critical at present. Throwaway bottles use three times the energy of returnable bottles. The efficient, energy-saving, returnable bottles must be introduced.
4. Nutrition labeling, manufacturing date (how fresh is the product), unit pricing, and grade labelling are the latest demands of consumers from all food products.

3.12 Types of Packaging

Products are wrapped in packages according to its nature and utility. Following are the types of packaging :

1. **Consumers Packaging :** It is that package in which the consumer actually gets the product primarily packed. Cardboard Boxes, Glass Bottles, Plastic and Tin etc. are used to make small boxes and packets, to pack the goods.
2. **Transit Packaging :** Each product is sent to consumers from production center through the means and mediums of transportation. They are packed in such a manner that they don't get damaged while boarding or deboarding, at different places. Therefore products are packed in Jute Sacks, Wooden Boxes or Tin Boxes.
3. **Product Line Packaging :** In this type of packaging all the goods are packed in the same manner. So all the packets look alike. Product line packaging is also called family packaging because it has developed with family brand.
4. **Multiple Packaging :** In this many units are packed in a single packaging, like : Stationary product – Files, Copies, Gum, Diaries, Pen, Refill, Alpins, Stapler, Ballpen, etc. such a packaging is very convenient for small goods.
5. **Reuse Packaging :** Another packaging is reuse packaging which is designing and promoting a package that can serve other purposes after the original contents have been consumed. Glasses containing cheese can be used to serve fruit juice. Food jars make great containers for small items like nuts, biscuits, pulses etc. This type of packaging can be used to put/keep other things after the use of consumption of original product, like : Ghee and Toffee Containers are used to put domestic goods.

3.13 Package Design

Modern package acts as a multi-purpose arrangement. It must fulfil utility functions such as protection, identification and convenience, when it serves as a container or wrapper of a product. In addition, it is also called upon to play the role of a colourful salesman, self-service and self-selection have developed and are gaining importance in retail trade. Customers are always in a hurry. The package must have informative labeling. The headlines, illustrations, guidelines and selling points on the package must be clear and prominent so that the matter is readable by every shopper at a glance. Pictures should help to tell the story faster and more effectively. Visibility of the product in the package helps to sell the product better. Hence, glass, cellophane and plastic packages have become very popular.

A well-designed and attractive package is an ever-present Shelf-Salesman for the retailer. The package design itself can act as a brand. A good package is : (1) Economical (to manufacture, to fill, to store), (2) functional (in transit, in store, at home), (3) communicative (of brand, of product, of performance, of usage), (4) attractive (in colour, in design, in graphic impact). At present, packaging must also solve the problem of pollution by reducing waste and by conserving scarce resources.

Package label should not misrepresent the realities to make a sale. Information given on the label should be attractive but not bogus or imaginary. True information should be presented attractively. Then only we shall have fair trade practices regarding packaging and labeling. The deceptions in packaging must be eliminated either through self-regulation or if necessary through legislation.

3.14 Consumer Problems with Packaging

1. Unless the package is transparent, the buyer cannot judge the contents by its appearance. If quality information on the package label is absent, the buyer has to purchase almost blindly.
2. If the consumer wants a specific quantity, he may not have that amount when goods are sold in packages.
3. There is no feasible way to check weight and volume of the contents unless a buyer opens the package to ascertain the weight. Prepackaged shortages amount to about 20 per cent.
4. Package sizes and designs inflate the contents. ‘One Rupee off’ labels proclaim price reduction which may not be real.
5. Deceptive packages have several room-mates in trade practices. They are hidden declaration of contents, fine print, glorified illustrations, unexplalanable fractions (3-7/8 kilograms) etc. consumers think that they are getting more when in fact they may be getting less due to the cunning package design.
6. Packages may be same but the contents get reduced and apparently same prices are charged. This method is popular in a period of rising prices.

3.15 Developing an Effective Package for a New Product

Developing an effective package for a product requires several decisions. A marketer must take many factors into account. These are as follows :

1. **Packaging Concept :** The first task is to establish the packaging concept. It defines what the package should basically be or do for the particular product. What is its purpose?
2. **Packaging Elements :** A firm has to select the specific size, shape, materials, colour, text and brand mark. The various packaging elements must be harmonized. Size interacts with materials, colours and so on. In picking a package size, shelf life (how long a product stays fresh), convenience, tradition and competition must be considered. The choice of package colour depends on the image sought. Marketer should know that the people associate specific colours with certain feelings and experiences.
3. **Cost :** One major consideration is cost. Due to a variety of packaging materials and designs, costs vary greatly. Marketers should try to determine, through research, just how much customers are willing to pay for effective and efficient package design, package costs must be considered on both a total and per-unit basis.
4. **Packaging Materials :** A firm has many packaging materials from which to select, such as paper board, plastic, metal, glass, Styrofoam and cellophane. In the choice, a firm must decide how innovative its wants its packaging to be.
5. **Package Design :** Package design affects the image a firm seeks for its products. Design should be eye-catching. As an advertising consultant noted : "The designs will jump off the shelves and speak directly to the customers who are just beginning to use these products."
6. **Tests :** After the packaging is designed, it must be tested. **Engineering tests** are conducted to ensure that the package stands up under normal conditions. **Visual tests** are done to ensure that the colours are harmonious. **Dealer tests** are conducted to ensure that dealers find the packagers attractive and easy to handle and **consumer tests** to ensure favourable consumer response.
7. **Tamper-Resistant Packaging :** Although no package is tamper-proof, marketers can develop packages that are difficult to tamper with.
8. **Consistency :** Marketers should consider how much consistency is desirable among an orgnaisations's package designs. To promote an overall company image, a firm may decide that all packages are to be similar or include one major element of the design. This approach is called family packaging.

9. **Promotional Value :** A package's promotional role is an important consideration. Through certain symbols, the package can inform potential buyers about the product's content, features, uses, advantages and hazards. A marketer, can create desirable images by its choice of colours shape and texture.

10. **Label :** The placement, content, size and prominence of the label must be set. Both company and brand names need to appear on the label. The existence of package inserts and other useful information should be noted on the label.

11. **Multiple Packaging :** It should be decided whether to couple two or more product items in one container. It may involve the same product (such as razor blades) or combine different ones (such as a first-aid kit). The goal is to increase usage, get people to buy an assortment of items, or have people try a new item.

12. **Needs of Resellers :** Packaging must also meet the needs of resellers. Wholesalers and retailers consider whether a package facilitates transportation, storage and handling. Resellers may refuse to carry certain products if their packages are cumbersome.

13. **Aesthetic and Functional Components :** To achieve the marketing objectives for the brand and to satisfy the desires of consumers, marketers must choose the aesthetic and functional components of packaging correctly.

14. **Marketing Mix :** A firm must be sure the package design fits in with the rest of its marketing mix. The packaging elements must harmonize with each other and with pricing, advertising and other parts of the marketing programme. A prestige perfume may be extravagantly packaged, distributed I select stores, advertised in upscale magazines and sold at a high price.

15. **Environmentally Responsible Packaging :** While developing effective packaging, companies must pay attention to the growing environmental, public health and safety concerns about packaging. Shortage of paper, aluminium and other materials suggest that marketers should try to reduce their packaging. Packaging creates a major problem in solid waste disposal, requiring huge amounts of labour and energy. The firms must practice "Green marketing insist packaging that is more environment friendly. Nearly one-half of all garbage consists of discarded plastic packaging. Plastic packaging Material are not bio-gradable at the same time paper requires the destruction of valuable forests. Hence, many companies have changed to environmentally sensitive packaging. They are also recycling more materials. They should carefully balance society's desires to preserve the environment against customer's desires for convenience.

3.16 Summary

Once the decision is of branding a product has been taken next the company has to consider the designing and developing the package and the labeling of the package. Branding, packaging and labeling are distinctly specialized activities, demanding the services of advertising experts. In reality it is not the product which is displayed and sold but it is the brand together with the package and the label which are sold or which enables to sell the product. In a sense, brand, package and label represents the product personality. Branding, packaging, labeling, the product warranty, and service after sale are the product related strategies and they are responsible to make the marketing programme effective. They also are the best means of promotion. They project the product in the most favourable way. Package is critically important to the buyer's recognition of the product. Aesthetically pleasing package can secure higher sales and profit.

3.17 Self Assessment Questions

1. "Packaging achieves a number of objectives". Explain.
2. "Packaging is a powerful selling medium". Explain. Also discuss its importance in selling.
3. On what grounds packaging can be criticized?
4. Describe the criteria for a good package.
5. Discuss packaging from consumer-citizen view points.
6. Explain how packaging and labelling plays an important role in marketing.
7. What is socially responsible packaging?

3.18 Reference Books

1. Kothari Jain (2012) : International Marketing; Ramesh Book Depot, 2012, Jaipur.
2. G.S. Sudha (2011) : Marketing Management; Malik and Company, First Edition, 2011, Jaipur.

Unit - 4 : Product Life Cycle

Structure of Unit

4.0 Objectives

After going through this unit you will be able to:

- Understand the meaning of PLC
- Understand the different stages of PLC
- Understand the marketing strategies to be adopted by a firm in different stages of PLC.

4.1 Introduction

Product life Cycle is one of the most important of all strategic planning concepts. Just like a human being who is born, grows through adolescence to maturity, eventually grows older and at last die facing different hardships in life, a product is also born, grows, matures and decline .It has to also face different challenges throughout its life. Influenced by factors like competitor threat, changes in economic environment, changes in buyer's needs, wants and preferences, a product passes through different stages. Each stage in product life cycle is characterized by variable values of sales and profit with respect to time. A company has to reformulate its marketing strategies appropriate to each stage in the product's life cycle with a view to increase profitability and extend product's life.

4.2 Product Life Cycle

The Product Life Cycle (PLC) is an important concept in marketing that provides insights into a product's competitive dynamics. Product life cycle is a business analysis that attempts to identify a set of common stages in the life of commercial products. In other words the 'Product Life cycle' PLC is used to map the lifespan of the product such as the stages through which a product goes during its lifespan.In 1960's two Management Consultancy Firms (Mc Kinsey & Company and Booz, Allen and Hamilton) started studying the behaviour of product and product lines in real marketplace. They tried to explore it all the products followed same pattern in terms of sales and profits over a period of time. If a uniform pattern existed then it would help marketing planners in suggesting :

- What is the current life stage of the product
- What could lie ahead for a production
- What factors effects the sales and profit of the product
- What courses of actions should be taken

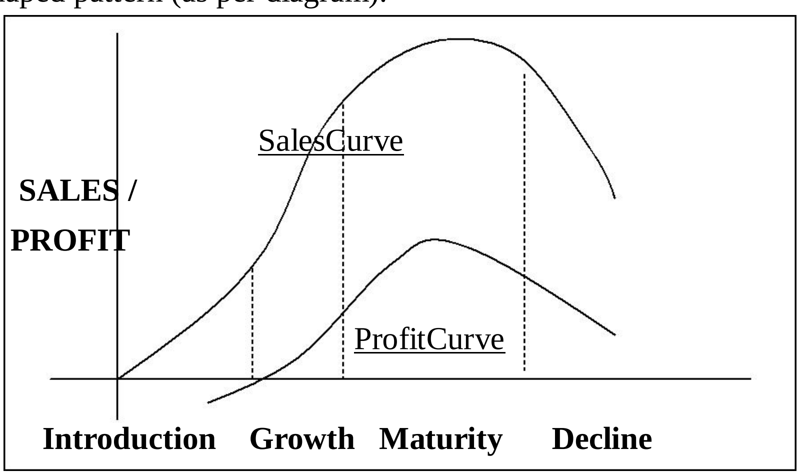
These consulting firms collected data of sales volume and profit figures for several products. These figures were later plotted on graphs for each product to see if similar patterns had emerged. It was found that most products followed similar curves on the graph to suggest that the behaviour of products in the market could be defined by some fundamental patterns and regularities. These patterns were termed as Product Life Cycle.

4.3 Stages of Product Life Cycle

Distinct stages in the sales history of the product are portrayed through product life cycle. Distinct opportunities and problems with respect to marketing strategy and profit potential correspond to these stages. Companies can formulate better marketing plans and adjust the strategies for promotion, pricing, promotion etc by identifying the stage the product is in. Product Life Cycle pattern helps the business to manage the profitable products and terminate the non - profitable ones. Four things are asserted by product lifecycle

- Limited life of the product.
- Characterisation of each stage by different levels of sales, each posing different challenges to the marketer.
- Rise and fall in profits at different stages of product life cycle.
- Different marketing, financial, manufacturing, purchasing and personnel strategies in each stage of product lifecycle.

In most cases historical/ empirical data shows the sales/profits of a product as following an **S**-shaped pattern (as per diagram).



TIME →

Figure 4.1 – Product Life Cycle Curve

This product life cycle curve is divided into four stages, known as *introduction, growth, maturity* and *decline.* Product moves through an overall cycle with different stages although speed of movement through the stages may vary for different products.

Introduction : Product introduced in market experiences slow sales growth. No profits as expenses are high.

Growth : Period of rapid market acceptance. Substantial increase in profits.

Maturity : Sales growth slows down due to saturation in the market

Profits stabilize or may decline as a result of increased marketing outlays to defend against competition.

Decline : sales descend and Profits diminish.

4.3.1 Levels of Product

A product life cycle can be used to exhibit life cycle stages of different levels of product. A product category / class, a product type and a brand.

Product categories have largest PLC's. Many product categories stay in maturity stage of PLC indefinitely.

Product forms follow PLC structure, i.e. better than product category as they pass through I/G/M/D strategies faster.

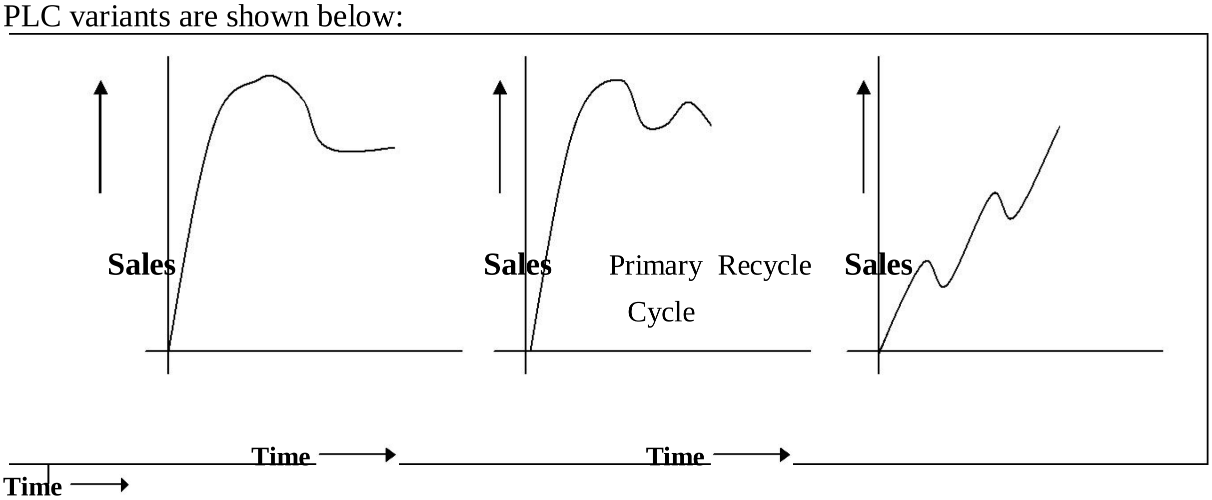
Products follow standard PLC or PLC variances.

Brands have shorter PLC's however their PLC's may be structured by investing brand with suitable products & image.

For example a four wheeler is a product category that forms longest life cycle, a product type exhibits a standard PLC, in case of four – wheeler automobile it may be car, SUV's , Multi - utility vehicles. Tata Indigo, Honda city are the brands. A brand can have shorter or longer PLC.

4.3.2 Variants of Product Life Cycle

S- shape PLC is not necessarily exhibited by all the products. Many PLC patterns have been identified by researchers in addition to standard PLC. Three common PLC variants are shown below:



(1) Growth Slump Maturity (2) Cycle - Recycle (3) Scalloped

Figure 4.2 : Variants of Product Life Cycle

1. Growth-Slump-Maturity Pattern: This pattern is characterized by rapid sales growth when introduced and then fall to "petrified" level. For example: e-game sales.
2. Cycle-Recycle Pattern: This pattern is synergic with promotion. In the introduction stage the company promotes the product aggressively as a result of which the sales grows then decreases and so first cycle of the pattern is produced. Now the company gives another promotion push resulting in another smaller growth for short duration. For example: Over the Counter (OTC) drug sales.
3. Scalloped Pattern: In this pattern the sales pass through a series of PLC's due to discovery of new uses / characteristics. For example: Nylon sales. Since many uses of Nylon – parachute, hosiery, shirts, carpeting were discovered over time, thus exhibiting a scalloped pattern in its PLC.

The theory of the diffusion and adoption of innovations discussed earlier provides the rationale of S-shaped PLC concept**.** When the company launches a new product, awareness, interest, trial and purchase is to be stimulated. Initially in the introductory stage only few persons ("innovators") will purchase the product. Gradually larger number of buyers ("early adopters") will be attracted if the product is satisfying. The adoption process speeds up with the increasing market awareness and falling prices of the product due to entry of competitors in the market. More buyers ("early majority") come in. Eventually the sales growth rate starts declining. Later the number of potential new buyers approaches zero. Sales becomes steady at the replacement-purchase rate. Eventually the sales decline as the buyers interest diverts from the existing product. Thus, the normal developments in the diffusion and adoption of new products explains the concept of Product Life Cycle.

Different stages of PLC and corresponding appropriate marketing strategies have been discussed in later part of the unit.

4.4 Introduction Stage

The introduction stage starts with the launch of a new product. Since it takes time to roll out the product in several markets and to fill the dealer pipelines, so sales growth appears to be slow. There may be several other reasons for this slow growth some of them are:

- Delays in the expansion of production capacity
- Technical problems
- Delays in arranging proper distribution network
- Customer reluctance to change established behaviours

In the case of expensive new products the number of buyers who can afford the new product is small so the sales growth may be additionally retarded.

In the introductory stage, profits are negative or low because of the low sales and heavy distribution and promotion expenses. Huge amount of money is needed to be spent to attract distributors and fill the pipelines.

Price of the product is high because of:

(1) Relatively low output rates
(2) High R&D cost
(2) Technological problems in production
(3) High margins required to support the heavy promotional expenditures which are necessary to achieve growth.

In this stage there are only a few competitors, who offer basic versions of the product to the market. The firms focus their selling on those buyers who are most aware and ready to buy leading to a need for massive promotional efforts. So the promotional expenditures are at their highest ratio to sales to :
(1) inform potential consumers of the new and unknown product
(2) induce trial of the product
(3) secure distribution in retail outlets.

There are only a few competitors, who offer basic versions of the product to the market. The firms focus their selling on those buyers who are most aware and ready to buy. Customers in introductory stage are characterized as 'innovators.'

Marketing Strategies in Introduction Stage

In launching a new product, marketing management can set a high or a low level for each marketing variable, such as price, promotion, distribution, and product Quality But while considering only price and promotion, management can pursue one of the following four strategies shown in Figure

- A **rapid-skimming strategy** means launching the new product at a high price and with high promotional efforts. The firm charges a high price in order to recover as much gross profit per unit as possible. It spends heavily on promotion to convince market of the high priced product's merits. The assumption lies that there exists potential competition and a large part of the target market is unaware of the product; those who become aware are eager to have the product and can pay a premium price; the high promotion- acts to accelerate the rate of market penetration and build up brand preference..

		Promotion High	Low
Price	High	**Rapid Skimming Strategy**	**Slow Skimming Strategy**
	Low	**Rapid Penetration Strategy**	**Slow Penetration Strategy**

Figure 4.3 : Marketing Strategies in Introduction Stage

- Its intended product positioning to ensure success. If the pioneer chooses A **slow-skimming strategy** consists of launching the product at a high price with low level of promotion. The high price helps to recover as much gross profit per unit as possible, and the low level of promotion keeps marketing expenses down. This combination is expected to skim a lot of profit from the market. This strategy is feasible when the market is limited in size; most of the market is aware of the product; buyers are willing to pay a high price; and potential competition is not imminent.
- A **rapid-penetration strategy** consists of launching the product at a low price and high expenditure on promotion. This strategy promises to bring about the fastest market penetration and the largest market share. This strategy is meaningful when the market is large but is unaware of the product; most buyers are price sensitive; there is strong potential competition; and the company achieves economies of scale with increasing production and accumulated manufacturing experience.
- A **slow-penetration strategy** consists of launching the new product at both low price and low level of promotion. The low price will encourage rapid product 'acceptance; and the company keeps its promotion costs down in order to realize more net profit. The company assumes that the market demand is highly price elastic but minimally promotion elastic. This strategy is feasible only when the market size is large; the market is highly aware of the product; the market is price sensitive; and there is some potential competition.

A pioneer company's launch strategy is the first step in a grand plan for life-cycle marketing hence it should be consistent with its launch strategy to make a "killing ," it will be sacrificing long-run revenue for the sake of short-run gain. Market pioneers implementing effective launch strategy generally enjoy a substantially higher market share than early followers and late entrants Examples being Amazon.com, Coca-Cola, Sony, Xerox.

4.4 Growth Stage

The growth stage is marked by a rapid climb in sales. The early adopters like the product, and middle-majority consumers start buying the product. Emerging opportunities for large-scale production and profit attracts new competitors. Therefore, the firms introduce product with new features and strengthens the distribution network by expanding the number of outlets.

Demand increases quite rapidly and the prices either remain constant or fall slightly Companies maintain their promotional expenditures at the same or at a slightly increased level to meet competition and to continue to persuade and create conviction in the market. During this stage sales increases rapidly and so do the profits, causing a decline in the promotion-sales ratio, as the promotion costs are spread over a larger volume. In the later Growth Stage the rate of growth of sales eventually changes from an accelerating rate to a decelerating rate. Firms have to watch for the onset of the decelerating rate in order to prepare new strategies.

Marketing Strategies in the Growth Stage

In order to sustain rapid market growth, the firm may use several strategies as per suitability.

- The firm improves product quality and adds new product features and improved styling. Eg. Improved, *Behtar* product versions.
- The firm adds new models and flanker products. Eg. Offering product in different sizes, colours etc.
- It enters new market segments through repositioning of product.
- It expands its distribution network and adopts new distribution channels.
- It shifts from product-awareness advertising to product-preference advertising.- aims to create conviction for the product.
- It lowers prices to attract the price-sensitive customers.

The firm strengthens its competitive position by implementing these strategies in action. and captures a dominant position in the market.

4.6 Maturity Stage

At some point, a product's rate of sales growth will slow down, and the product will enter a stage of relative maturity. It is the longest phase and a turning point in the PLC for most products. As a result, most products at any given point in time are probably at maturity. This stage acts as a challenge to the marketing management of the firm to deal with the mature product.

The only remaining customers to enter the market will be the and the ***laggards***. These customer groups are by far the most risk averse and most hesitant to adopt new products. These customers are quite price sensitive and, as a result, will not buy products until. Many laggards, the last group to adopt, often do not do so until the product is virtually obsolete and in danger of being displaced by new technologies. Competition is most intense during this stage.

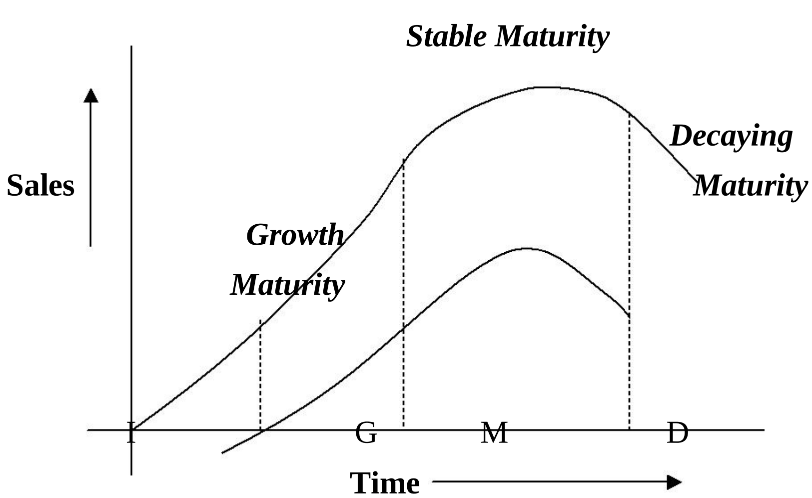


Figure 4.4 : Maturity Stages

4.6.1 Maturity Stage Phases

The maturity stage can be divided into three phases.

Growth Maturity - The sales growth rate starts declining. There are no distribution channel options left to revive sales growth rate, however late majority and few laggard buyers who are characterized by price sensitivity may enter the market and buy the product only when the prices have seen significant declines.

Stable Maturity - Sales flatten on a per capita basis because of market saturation. Most potential consumers have tried the product, and future sales can be generated only by population growth and replacement demand.

Decaying Maturity - The absolute level of sales now starts to decline, and customers start switching to other products and substitutes. Costs continue to rise during maturity because of market saturation and continually intensifying competition. When this slowing of sales is combined with the increasing costs the profits also start declining. The slowdown in the rate of sales growth creates overcapacity and intensified competition in the industry. The intensity of competitive in-fighting drives the changes in costs and profitability. Competitors scramble to find and enter niches. They engage in frequent markdowns and off-list pricing. They increase their advertising and channel and consumer offers and deals. They increase their R&D budgets to develop product improvements and flanker.-products. These steps spell some profit erosion. A transition period begins and weaker competitors withdraw. The industry eventually consists of well-entrenched competitors whose basic drive is to gain competitive advantage.

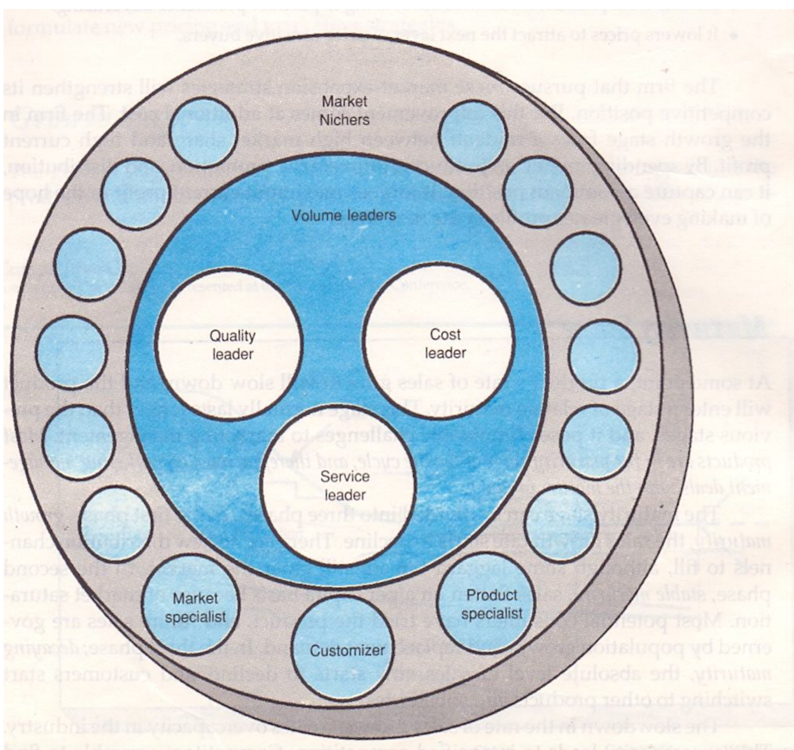


Figure 4.5 : Companies in a Mature Industry

These competitors are of two types (Figure above). There are only a few giant firms in the industry that dominate and produce a large proportion of the industry's output. These firms serve the whole market and make their profits mainly through high volume and lower costs. These volume leaders are differentiated on the criterion of high quality, high service, or low price. Surrounding these dominant firms are a multitude of market nichers. The nichers include market specialists, product specialists, and customizing firms. The nichers serve and satisfy their small target markets very well and may charge a premium price. The issue facing a firm in a mature market is whether to struggle to become one of the "big three" and achieve profits through high volume and low cost or to pursue a niching strategy and achieve profits through high margin.

4.6.2 Marketing Strategies in the Maturity Stage

In the mature stage, some companies abandon their weaker products. As they prefer to focus their resources on their more profitable and established products or on offering new products to the market. But still there might be old products with high potential in the portfolio of the company that might become profitable in due course of time. Marketers should therefore find ways of offering new values to the customers by systematically considering strategies of market, product, and marketing-mix modification on.

Market Modification - The company might try to expand the market for its mature More Frequent Use: The company can try to get customers to use the product more frequently. For example, orange-juice marketers try to get people to drink orange juice on occasions other than breakfast time.

- More Usage per Occasion: The company can try to interest users in using more of the product on each occasion. Thus a shampoo manufacturer might indicate that the shampoo is more effective with two rinsings than one.
- New and More Varied Uses: The company can try to discover new product uses and convince people to use the product in more varied ways. Food manufacturers, for example, listing of several recipes on their packages broadens the consumers' uses of the product. Similarly, the applications of ointments, balm etc on different instances and occasions are also depicted.

Product Modification – Managers also try to stimulate sales by modifying the product’s characteristics. This can take several forms. brand by working with the two factors that make up sales volume:

Volume = number of brand users X usage rate per user

The company can try to expand the number of brand users in three ways:

- **Convert Nonusers**: The company can try to attract nonusers to the product. For example, the key to the growth of air freight service is the constant search for new users to whom air carriers can demonstrate the benefits of using air freight over ground transportation.
- **Enter New Market Segments**: The company can try to enter new market segments-geographic, demographic, and so on-that use the product but not the brand. For example, Johnson & Johnson successfully promoted its baby shampoo to adult users, Cadbury’s is promoting its chocolates to adults and the famous

legend Amitabh Bachchan has endorsed its few products to attract the adult target market.

- **Win Competitors' Customers**: The company can attract competitors' customers to try or adopt the brand. For example, Pepsi-Cola is constantly tempting Coca-Cola users to switch to Pepsi-Cola, throwing out one challenge after another.

Volume can also be increased by convincing current brand users to increase their annual usage of the brand. Here are three strategies:

- A strategy of **quality improvement** aims at increasing the functional performance of the product-its durability, endurance, reliability, speed, life , taste etc. A manufacturer can often overtake its competition by launching the "new and improved" detergent, automobiles, television picture quality. FMCG manufacturers may flash it as a **"plus"** launch and may promote a new additive or may advertise as **something "stronger", "bigger,"** or **"better."** Eg. a biscuit manufacturer may promote its biscuits as "crispier than ever" This strategy of quality improvement is effective to the extent that the quality is improved, buyers accept the claim of improved quality, and a sufficient number of buyers are ready to pay for higher quality.
- A strategy of **feature improvement** aims at adding new features (e.g., value adding shape or size, weight, materials, additives, accessories) that increases the product's versatility, safety, or convenience. For example, vacuum packaging of Taj Tea keeps its freshness intact.

Car manufacturers have worked on designing better safety features by adding airbags. They have added fuel conversion features (CNG to Petrol or vis-a –versa), remote locks, power windows etc that add convenience.

A strategy of feature improvement has several advantages. The company can build an image of innovativeness by adding new features. It may win the loyalty of certain market segments who value these features. These features can be adopted or dropped quickly and made optional to the buyer. They provide an opportunity for free publicity and they generate salesforce and distributor enthusiasm. The chief disadvantage is that feature improvements are highly imitable; the feature improvement might pay only if there is a permanent gain from being first.

- A strategy of **style improvement** aims at increasing the aesthetic appeal or looks of the product. The periodic introduction of new car models amounts to style competition rather than quality or feature competition. Eg. introducing new colours, new tail-lights/headlights in new model of an existing car. In the case of packaged-food and house-hold products, companies introduce colour and texture variations and often restyle the package, treating it as an extension of the product. Eg. replacement of tin packaging by attractive pet jar packaging, introduction of economical refill packs or sachets The advantage of style improvement is that it creates a unique market identity and win a loyal following. The disadvantage of style improvement is that firstly, it is difficult to predict whether customers would like a new style or not Secondly, it might create ambiguity related to quality/standardization, reliability of product. and the company has the risk of losing the customers who liked the old style.

Marketing-Mix Modification

Marketing managers might stimulate the sales by modifying one or more marketing-mix elements from the following.

- Prices: Cutting price cut to attract new users and induce new trials through lowering the list price or through price specials/volume or early purchase discounts, freight absorption or easier credit terms. Or charging premium for signaling higher quality.
- Distribution: Penetrating more outlets. Obtaining more product support and display in the existing outlets. Introducing the product into new types of distribution channels.
- Advertising: increasing advertising expenditures, changing the.advertising message or copy, changing media-vehicle mix, changing the timing, frequency, or size of advertisements.
- Sales Promotion: Applying different sales promotion strategies like - trade deals, cents-off, rebates, warranties, gifts, and contests.
- Personal Selling: Expanding the size of salesforce, changing the basis for salesforce specialization, revising the sales territories revising the salesforce incentives or improving sales-call planning.
- Services: Speeding up the delivery, extending more technical assistance to the customers, extending more credit.

Marketers need to identify the suitability and effectiveness before modifying the marketing mix elements in the mature stage. For example, analyzing that whether the company would gain more by increasing its advertising or sales- promotion budget

A major problem with marketing-mix modifications is that they are highly imitable by competition, especially price reductions and additional services. The firm may not gain as much as expected, and all firms might experience profit erosion as they step up their marketing attacks on each other.

4.7 Decline Stage

Sales continue to deteriorate through decline. And, unless major change in strategy or market conditions occur, sales are not likely to be revived. Costs, because competition is still intense, continue to rise. Large sums are still spent on promotion, particularly sales promotions aimed at providing customers with price concessions. Profits, as expected, continue to erode during this stage with little hope of recovery.

There generally are a significant number of competitors still in the industry at the beginning of decline. However, as decline progresses, marginal competitors will flee the market. As a result, competitors remaining through decline tend to be the larger more entrenched competitors with significant market shares.

The sales of most product forms and brands eventually decline in the decline stage. The sales decline might be slow or rapid and continues unless major change in strategy or market conditions occur, sales are not likely to be revived and they may plunge to zero, or they may fall to a low level. Sales might decline due to number of reasons, including technological advances, consumer shifts in tastes, and increased domestic and foreign competition. During this stage profits continue to erode with little hope of recovery. As sales and profits decline, some firms withdraw from the market. Those remaining may reduce the number of product offerings. They may withdraw from smaller market segments and weaker trade channels. They may cut the promotion budget and reduce their prices further.

Marketing Strategies During the Decline stage

A company faces a number of tasks and decisions to handle its aging products.

Identifying the Weak Products The company may establish a system for identifying weak products. A product-review committee with representatives from marketing, R&D, manufacturing, and finance may be appointed by the company that develops a system for identifying weak products. Information related to each product showing trends in market size, market share, prices, costs, and profits is analyzed to identify the dubious products. The criteria of analysis may include the number of years of sales decline, market-share trends, gross-profit margin, and return on investment.

The managers responsible for dubious products fill out rating forms showing where they think sales and profits will go, with and without any changes in marketing strategy. The product-review committee examines this information and makes a recommendation for each dubious product-leave it alone, modify its marketing strategy, or drop it.

Determining Marketing Strategies -:. Some firms will exit from declining markets earlier than others. Much depends on the level of the exit barriers. If the the exit barriers are low, firms can leave the industry easily. Sometimes the remaining firms could enjoy increased sales and profits. For example, Procter & Gamble stayed in the declining liquid-soap business and improved its profits as the others withdrew.

In a study of company strategies in declining industries, Harrigan distinguished five decline strategies available to the firm:

- Increasing the firm's investment (to dominate or strengthen its competitive position)
- Maintaining the firm's investment level until the uncertainties about the industry are resolved
- Decreasing the firm's investment level selectively, by abandoning unprofitable customer groups, while simultaneously strengthening the firm's investment in lucrative niches
- Harvesting (or milking) the firm's investment in ailing products to recover cash quickly
- Divesting the business quickly and disposing its assets advantageously in other projects.

The industry's relative attractiveness and the company's competitive strength in that industry are determining factors in selecting the appropriate decline strategy For example, a company in an unattractive industry but possessing competitive strength should consider shrinking selectively. However, if the company is in an attractive industry and has competitive strength, it should consider strengthening its investment. Procter & Gamble on a number of occasions has taken disappointing brands that were in strong markets and restaged them. The decision of harvesting or divesting the weakening business unit, must be well thought by the company.

The Drop Decision- When a company decides to drop a product, it faces further decisions. If the product has strong distribution and residual goodwill, the company can probably sell it to a smaller firm. If the company can't find any buyers, it must decide whether to liquidate the brand quickly or slowly. It must also decide on how much parts inventory and service to maintain for past customers.

4.8 Summary

PLC concept is a planning tool that characterizes marketing challenges in each stage – Introduction, Growth, Maturity and Decline and proposes alternative marketing strategies. PLC as control tool helps to measure the performance of the product in different stages according to which suitable marketing strategies can be implemented. But PLC concept is less useful as a forecasting tool as each product has diverse PLC pattern and the stages vary in duration.

4.9 Self Assessment Questions

1. Define Product Life Cycle. Discuss the strategies of Maturity Stage.
2. Discuss any two stages of Introductory Stage.
3. Discuss the exceptions when PLC does not follow S-curve.
4. Discuss the characteristics of Decline Stage.
5. Explain the Product Adoption Model and the stages in adoption of a new product .

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Unit - 5 Managing Brand

Structure of Unit

5.0 Objectives

After completing this unit, you would be able to:

- Comprehend the concept of brand and branding;
- Learn the difference between brands and products;
- Understand various brand elements that form brand;
- Know about strategic relevance of branding;
- Learn and appreciate the attributes of strong brands;
- Understand the concept of brand management;
- Know the stages involved in Strategic Brand Management Process.

5.1 Introduction

Branding has existed for centuries as a means to distinguish and differentiate the goods of one manufacturer from that of another. In fact, the word "brand" is derived from the Norwegian word "brand" which signifies "to burn" – based on the practice of producers burning their mark (or brand) onto their products. Initially, branding was adopted to differentiate one person's livestock from another's by means of a distinctive symbol stamped into the animal's skin as a burnt mark. An unbranded product like tea, sugar and rice is categorized as a commodity in which a customer while purchasing considers its physical attributes and benefits. On the contrary a brand is a "lens through which the consumers view the product and the firm'. According to Keller a brand is basically a product with added dimensions which makes it different in one way or another from other products that satisfy similar needs. For the consumers, a brand is a product, brand identifies the maker or the seller and promises consist delivery of the features/benefits that the consumers desire from the brand. Thus a brand apart from identification, differentiated competitive product offerings, provides differential advantage and competitive edge to marketers in crowded market.

5.2 Brand and Branding

Marketers turn to branding with an aim to differentiate their offerings from rival product offering. Strong brands are a combination of marketing resources, programs and activities. They represent valuable marketing assets and generate an income stream in future. To gain maximum returns on their investment and to enhance marketability, organizations utilize branding.

5.2.1 What is a Brand?

According to the American Marketing Association (AMA), a brand is a "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." Thus, according to this definition the key to creating a brand is to select an identifiable name with distinctive logo, unique symbol, innovative mascot, creative package design or any other characteristic that differentiates it from other competitors in the market.

Brands are constructed of intrinsic and extrinsic attributes. Intrinsic attributes include functional characteristics of product like shape, features, engine capacity, performance and technology. Extrinsic attributes on the other hand are the recognizable characteristics such as brand name, logos, symbols and packaging that enable customers in forming brand recognition and association.

Brand is a unique, distinguished identification of a product and the different components that contribute towards this identification and differentiation are known as brand elements. Brand elements add on to the extrinsic attributes of a brand. They are referred to as brand identifiers and are trademarked devices that help to identify and differentiate the brand. Elements convey valued associations to consumers and major ones include brand names, logos, symbols, URLs, characters, slogans and packages.

David Arnold (1992) mentions four criteria for brand's success and these are:

a. It should excel in performance at the product level.
b. It should offer some intangible benefits in addition to tangible benefits.
c. The benefits it offers must be consistent with its personality
d. The benefits offered must be relevant and significant to the customers.

5.2.2 What is Branding?

In 2001 **Hislop defined branding** as "the process of creating a relationship or a connection between a company's product and emotional perception of the customer for the purpose of generation segregation among competition and building loyalty among customers. **Kapferer and Keller** had defined it as a fulfillment in customer expectations and consistent customer satisfaction. "Branding is endowing products and services with the power of a brand. It's all about creating differences between products. Branding creates mental structures that help consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm. The key to branding is that consumers perceive differences among brands in a product category. These differences can be related to tangible attributes or benefits of the product itself, or they may be related to more intangible image considerations".

Scope of marketing is very broad and similarly branding can be virtually applied anywhere. A marketer can brand a physical good (Tata Indica, Liril soap, Kit-Kat chocolates), a service (Fedex Courier service, HDFC banking service, Jet Airways's airlines service), a store (Lifestyle, Big Bazaar, Westside), a person (Salman Khan, Katrina Kaif, Sachin Tendulkar), a place (India, Goa or Malaysia), an organization (CRY, Automobile Association of India), or an idea (Donate eyes, family planning, right to vote).

5.2.3 Brands versus Products

According to **Jauhari and Dutta '**A product can be a tangible object, an intangible service or an idea which a marketer has to offer to satisfy the needs and wants of the consumers.'

A product has to be carefully designed and updated from time to time in order to stay relevant to changing consumer's expectations and lifestyle. All products generally include the following **(Aaker and Joachimsthaler 2000):**

- **Scope-** It includes the extent of the product a company plans to cover. For example, Maruti-Suzuki manufactures cars in India.
- **Attributes-** Comprises of the features and qualities of the product. For instance, Pears soap contains glycerin for healthy and moisturized skin, Babool toothpaste is a natural toothpaste containing the ayurvedic and medicinal benefits of Babul tree 'Acacia Arabia', etc.
- **Uses-** Encompasses varied product usage and applications. For example Smart televisions have more than hundred applications like games, internet applications, etc. These televisions have seamlessly brought entertainment and information onto one elegant display.
- **Quality/Value-**Products denote quality and product offering should include value proposition for its users. DeBeers "A Diamond is Forever" tagline communicates that diamonds never lose value and symbolizes eternal love and romance.
- **Benefits-** Functional benefit performed by a product is important. CEAT "All Season's Tires" symbolizes durability under all road conditions and Lays potato chips deliver freshness, crispness and variety of flavors to its consumers.

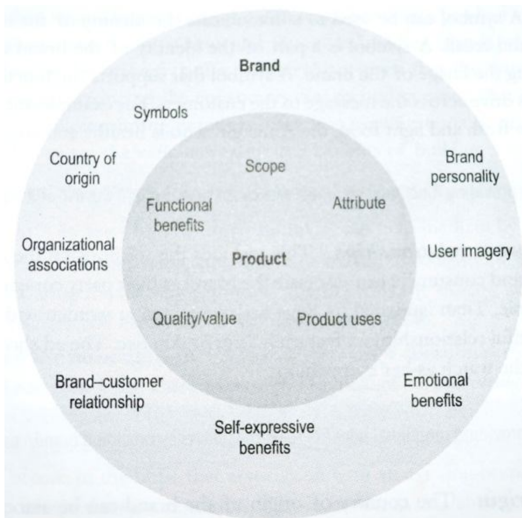

Figure 5.1 Brand as Product with augmented benefits/attributes

The benefits offered by a product can be harnessed for longer duration, if the product is distinctively identified and placed in the minds of the customers. This can be effectively achieved with the help of unique brand name and other brand elements. Brand helps in uniquely identifying the product and along with it the following **(Refer Figure: 5.1):**

- **Functional Benefits**- Encompasses varied functional aspects of the brand, including symbols, country of origin, brand personality and brand's relationships with customers.
- **Organizational Associations**- The characteristics of the company enhance brand appeal and image as well. For example, customers who wear Omega watches are perceived as belonging to upper class of society.
- **Brand Personality-** Symbolizes how people feel about a brand as a result of what they think a brand is or does. The brand personality is associated with the human traits or characteristics that best communicates the brand proposition to the target audience. Common characteristics represented include ruggedness, sincerity, competence, excitement and sophistication. The brand personalities are something with which a customer can relate well. Brand LUX's brand personality appears to be feminine, attractive, and glamorous because of its core brand promise of beautiful skin.
- **Symbols**-They play a strategic role in creating the image and identity of the brand. Symbols create faster recognition and recall. For example, Cadbury chocolates 'Glass and a half milk' is a well recognized symbol and the purple packaging further enhances brand recognition.
- **Country of origin**-To add value to the product attributes brands can be associated with the country of origin. For example, chocolates from Switzerland, luxury cars from Germany and perfumes from France, etc. are well preferred by customers.

- **Emotional Benefits-** Emotional benefits such as entertainment, belongingness, and brand community can be created and it is these emotional benefits that are difficult for competitors to duplicate **(Mascarenhas, Kesavan, and Bernacchi 2006).** McDonald's "i'm lovin' it" is a celebration of life campaign which has brought in emotional attachment, optimism and enthusiasm that mark good times and delightful discoveries at Mc Donald's.

5.2.4 Brand Elements

Brand elements can play a number of brand-building roles **(Steve Hamm 2006).** If consumers don't examine much information in making product decisions, brand elements should be easy to recall and inherently descriptive and persuasive. The likability of brand elements may also increase awareness and associations **(Thomas N. Burton 2004).** A variety of brand elements amalgamate to enhance brand awareness and brand associations **(See Figure 5.2):**

- **Name**: The word or words used to identify a company, product, service, or concept that can be vocalised. They are an effective shorthand means of communication. **According to Keller**, brand names that are simple and easy to pronounce or spell, familiar and meaningful, and different, distinctive and unusual facilitate brand awareness and are easy to recall. Popular jewelry brand from Tata group "Tanishq" name is an adaptation from a sanskrit word, *Nishka* which stands for "Necklace of Coins" while the prefix "Ta" denotes Tata and the last letter "q" is added for style.

Brand Name Procedure

1. **Define Objectives**: The first stage of brand naming involves identifying the company's objectives for the brand. While planning a branding strategy a firm can follow any branding strategy like using, Family name, umbrella brand name or individual brand name. Reliance Industries have launched their ventures using the parent brand name like, Reliance Mutual Fund, Reliance Power, Reliance Fresh etc.
2. **Generate Names**: The aim of this stage is to select a suitable brand name from many alternate name options which are generated through brain storming session, employee's suggestions and advertising agencies recommendations, etc. In 1890, Thomas Edison, the bulb inventor, needed to sell his inventions as a company so he formed Edison General Electric which after two years merged with Thomson-Houston Electric Company to form General Electric.
3. **Screen initial names**: In this stage brand name evaluation takes place to select the most relevant name. Toyota brand name was originally named "Toyoda" after its founder Sakichi Toyoda, but later on the "d" was replaced with the alphabet "t" to create ***Toyota*** because it is a brand that originated in Japan and it took eight brush strokes to write it in Japanese and eight was considered a lucky number there.
4. **Select the final name**: After due consideration to all the major parameters like, what is the name expected to mean, what is the product category that it represents, which is the country in which it is expected to be launched, is it easy to remember and pronounce, etc. the final name is chosen. Dee Hock, Visa's founder, chose the

brand name “Visa” because he felt that this short, simple word would be conveniently recognizable in many languages and globally accepted by many countries.

5. **Apply for Registration**: To prevent brand names from being copied and to maintain its distinctiveness it becomes important to submit the selected name for registration with the Government.

Types of Brand Name

Brand names come in many styles. A few include:

- **Acronym**: A brand name made of initials such as L&T, KFC or IBM
- **Descriptive**: Names that indicate a product benefit or function like Duroply (plywood), Band-aid(bandage), Quickfix (adhesive), Airbus.
- **Alliteration and rhyme**: Names that are fun to speak and stay in the mind like Cream Bell ice-cream, Pass-Pass or Dunkin' Donuts.
- E**vocative**: Names that evoke a relevant vivid image like Axe, Set Wet, or Amazon.
- **Numerals:** A combination of numerals and alphabets is also used, viz., Nokia 1100, Alto 800, LIV 52, etc.
- **Neologisms**: Completely made-up words with no clear meaning related to the product it represents. For example, Moov, Vimal, Surf, Nescafe, etc.
- **Foreign word**: When brand names are derived from other languages, like, Reebok, Sony, and Volkswagen.
- **Founders' names**: Using the inventor/founder's name like Tata, Birla and Kellogg’s.
- **Geography**: Many brands are named for regions and landmarks like Cisco (short of San Francisco), Singapore Airlines, Kentucky Fried Chicken and Fuji Film
- **Personification**: Many brands take their names from mythology like Nike based on the Greek Goddess of victory.

- **Trade Mark**: **According to the American Marketing Association (1960),** a trademark is a brand or part of a brand that is given legal protection-it protects the seller’s exclusive rights to use the brand name or brand mark. In India the brands are registered with the Government under the Trade and Merchandise Marks Act, 1958 and brand names or marks which are registered with the Government are referred to as trademarks.
- **Logo**: The visual trademark that helps in easy identification of the brand. It is a means to indicate association, ownership or origin. Logos range from corporate names or trademarks written in a distinctive form, to entirely abstract designs that may be completely unrelated to the word mark, corporate name, or corporate activities **(Murphy).** Examples of brands with strong word marks and no accompanying logo include Raymonds, Kit Kat and Pepsi.

- **Slogans**: They are short phrases and commanding branding devices that communicate informative, descriptive or persuasive meaning for the brand. Slogans summarize and translate the intent of a marketing strategy in few short words or phrases. Slogans are extremely effective, shorthand means to build brand equity. Frooti "Fresh N Juicy", Sundrop "Healthy Oil for Healthy People", Raymonds "The Complete Man", Britannia "Eat Healthy Think Better" reminds consumers about the brands.

- **Jingles**: These are musical messages of the brand and are used for advertising purposes to communicate the benefits of the brand **(Keller 2004).** As they are musical they are different from slogans. Ujala Supreme "Aaya Naya Ujala, Chaar Boondon Wala", Nirma's "Doodh si Safedi, Nirma se Ayee" are some famous Indian Brand Jingles.

- **Graphics**: The font and the style of writing a brand name is a trademarked part of the brand. The manner in which Britannia, Coca-Cola and Himalaya is written aid in brand's recall. The new repositioned Asian Paints logo has "a" and "p" written in free-flowing style.

- **Packaging**: It includes the activities of designing and manufacturing containers or wrappers for a product. The French emperor Napoleon awarded 12,000 francs to the winner of a contest to find a better way to preserve food, leading to the first crude method of vacuum-packing **(Nancy Croft 1985).** The distinctive shapes of the Jungle Magic perfumes, Beer shampoo bottle and Calcium Sandoz tablets are trademarked elements of those brands.

- **Colors**: Colors have meaning red means energetic, green means inspired by nature, black is mystic, silver is sophisticated thus, strategically used colors help differentiate brands in crowded market. Vodafone, Coca-Cola & Airtel in red, Dove in white, Shoppers Stop in black & white color create brand distinction.

- **Sounds & Signature Tunes**: A brand can be denoted by a unique tune or set of notes. Airtel in July 2004, launched "Hello Tunes", a caller ring back tone service becoming the first operator to do so in India and also launched the Airtel theme song, composed by A.R. Rahman, in the same year which was the most popular tune of that year. Titan watches signature tune during its launch in 1986 was the 25th symphony of Mozart, which later became an integral part of the brand.

- **Brand Characters**: Brand characters are introduced through advertising and play a key role in advertising campaigns and package designs. **According to Keller,** characters are useful to create awareness, because they are rich in images and colors, attaining the attention of the consumers. The polka-dotted Amul girl creates unique recall for the brand.

- **URLs**: Uniform Resource Locators specify location of pages on the Web and are mostly referred to as domain names. In today's digital era the number of registered URLs has increased on the web. Examples include www.shell.com, www.hul.com.

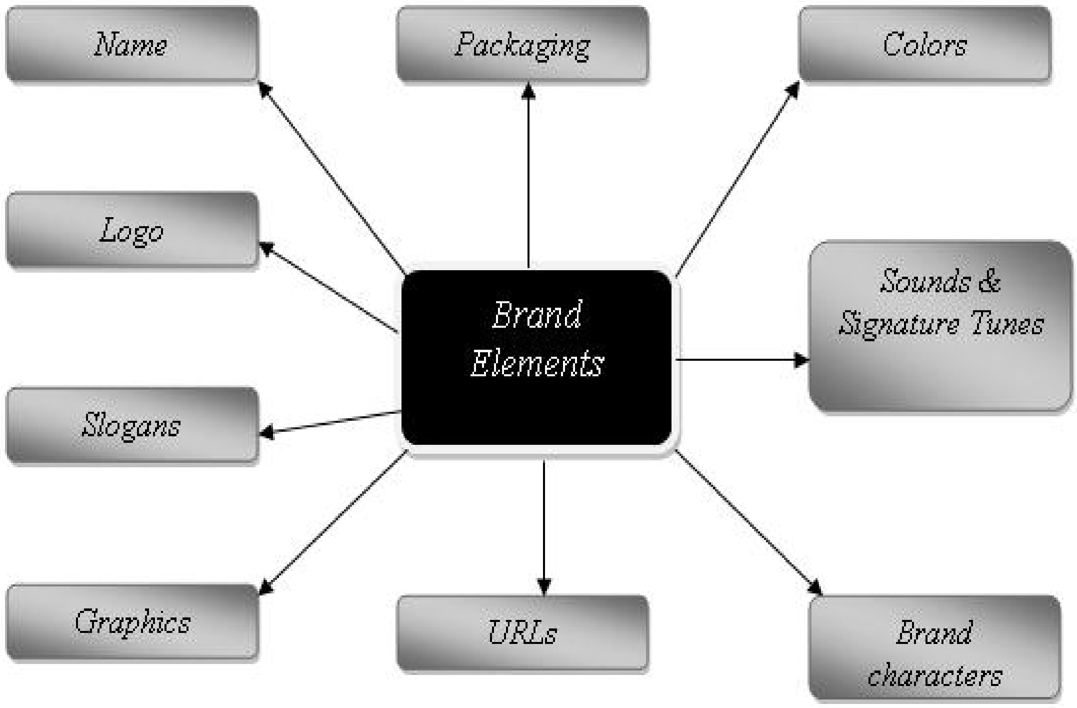

Figure 5.2: Variety of Brand Elements

A brand is an intersection of customer expectation, his or her experience with it. **According to Kotler**, there are six criteria for choosing brand elements. The first three- memorable, meaningful, and likable are “brand building.” The latter three- transferable, adaptable and protectable-are “defensive” and help leverage and preserve brand against challenges.

1. **Memorable**-For building strong brands high level of brand awareness, recall and recognition is significant so brand elements should facilitate rememberance and recognition during purchase and consumption situations. Short and easy to remember brand names such as Kurkure, Pepsi, and Maruti are memorable brand elements.
2. **Meaningful**- Brand elements that communicate awareness about the nature of the product category and product ingredients or attributes are more credible. There is inherent meaning in names such as Annapurna Multi-Grain Atta, Annapurna Iodised Salt, Dabur Red Paste for teeth and gums and Emami Fair & Handsome fairness cream for men.
3. **Likable**-Customers should find the brand element aesthetically appealing, visually and verbally likable. Brand names such as Royal Enfield, Honda City, and Bajaj Pulsar evoke much imagery.

4. **Transferable**-It measures the extent to which the brand element can be extended to launch new products in the similar or different categories. It also includes transferability of brand across geographic boundaries and cultures. Levi's Jeans is selling globally with the same name.
5. **Adaptable**-Changes in consumer lifestyle and values create a need for updating the brand elements. Logos and characters are redesigned to make them appear more contemporary and relevant. Recently brands like Liberty, Godrej and Airtel have updated their logos with fresh colors, new look and design.
6. **Protectable**-The brand elements need to be protectable both legally and competitively implying that marketers need to select brand elements that can be protected legally world over, seek for its formal registration with appropriate legal agencies and defend trademarks from unauthorized infringement by competitors. Much of the distinction of the brand disappears if its name, packaging or any other attribute is easily copied.

Brand elements communicate the intangible characteristics to its user like, Life Insurance Corporation of India (LIC) utilizes the symbol of the flame of an earthen lamp enveloped by two hands folded in a *Namaste*, depicting "security, protection and concern" while MRF tires uses the symbol of muscular hands holding a tire, symbolizing a "durable tire with muscles, strength and sturdiness".

5.2.5 Types of Brand

A brand is a feeling- an attribute customers can easily relate to. An established brand delivers an expected level of satisfaction to its customers along with a unique experience and assurance of trust and quality. There are mainly two types of brand – manufacturer owned brands and Private Labels.

Manufacturer brands

Manufacturer brands are created by producers and bear their chosen brand name. The brand is owned by the producer and he bears the responsibility for marketing the brand. For example, Hero, Cadbury, Pepsi and Coca-Cola are renowned manufacturer brands. By building their brand names, manufacturers can establish brands, capture market share, fight competition and build customer loyalty.

Private Labels/ Own label/ Distributor/ Store brands

Own-label brands are created and owned by channel intermediaries. Mostly these brands are owned by big and well established retailers. The major supermarkets like Reliance Fresh, Big Bazaar and department stores like, Westside and Lifestyle are excellent examples of this.

Own-label branding often offers the consumer excellent value for money and provides higher margins to the retailers. Distributors are also benefited because of additional bargaining power when it comes to negotiating prices and terms with manufacturer brands.

5.2.6 Benefits of a Strong Brand

- A strong brand positively impacts buying decision and enhances ownership experience.
- Branding creates trust, emotional attachment and enduring relationship towards the product or the company because of which customer many a times makes emotional decisions rather than rational ones.
- A strong brand commands price premium and maximizes the quantity of units that can be sold at that premium.
- Branding facilitates quick and easy decision making for the customers which is an important benefit as in today's competitive markets brand features and benefits are virtually indistinguishable. A strong brand provides name recognition, identity assurance, quality promise and haven of stability.
- Branding aids in fighting competition and protecting market share by occupying customer heart and mind share i.e. while purchasing a customer recalls the brand easily.
- A strong brand can sometimes make actual product features virtually insignificant. A well recognized brand helps the firm sell value and the intangibles that envelope its products.

5.2.7 Strategic Relevance of Branding

A brand is a long-lasting promise of the seller to deliver a specific set of benefits and attributes to the buyer and each brand denotes a level of quality. The strategic relevance and logic of branding include:

- **Brand as a tool to segment the market**

Marketers distinguish and differentiate their product offering across various market segments in response to the wants and needs of the target groups. Brand managers do so by repeatedly providing a blend of attributes-tangible, rational, symbolic and invisible-under conditions that are economically feasible for the company. For example American Tourister is the lower-end version of its Samsonite sister brand and for customers who want premium priced suitcases they buy Samsonite brand while customers who want branded suitcases but are value seekers they go in for American tourister.

- **Brand starts-with an idea**

Brands are products and every product is conceived with an idea. Brand building involves nurturing of a product offering. Branding is what goes into making of a brand and the resultant outcome is an augmented product/service. The novel brand idea is promoted aggressively in the market by employing integrated marketing communications tools to harvest the benefits before rivals copy it. Flipkart founded in 2007, by Sachin and Binny Bansal is considered as the e-commerce company that made online shopping popular in India.

- **Brand has an enduring value**

Three elements overlap to create enduring brand value and these are relevance, context and mutual benefit. Relevance is the reason for brand's existence and does not change much over time. Context focuses on where and when the brand exists for customers and partners. When mutual benefit is perceived by company and customers a relationship of reliability and trust is formed. Customers are willing to pay price premium for their favorite brand of cars (Audi), watches (Omega), handbags (Louis Vuitton), etc.

- **Brand helps protect innovation**

Apple's mobile technology, Sony's Trinitron technology and Mahindra's XUV 500 looks and design are patented and cannot be imitated by competitors, this way brands innovation are protected.

- **Brand sustains though product may die**

A brand defends the creator, generating exclusiveness and rewarding customer's willingness to take risks. Products are introduced, they grow, mature and decline but the core value of the brand endures. Creating a brand requires time, effort and money to build up their distinguished identity for example: Philips, made radio and transistors, the products are outdated still the brand continues to survive because of its central value.

- **Brand a living memory**

According to Kapferer, "The spirit of brand can only be inferred through its products and its advertising. The content of the brand grows out of the cumulative memory of various acts. Provided they are governed by a set of unifying ideas or guidelines. The importance of memory in encompassing a brand explains why its image can vary structurally from generation to generation." Cadbury chocolates since 1824, is winning the hearts of kids and adults alike.

5.3 Brand Management

Brand management is a communication function that includes design, analysis and planning on the positioning of the brand in the market, the target customers of the brand, choosing of the brand elements and maintaining a desired reputation of the brand. A brand manager is responsible for all the activities related to brand and branding.

5.3.1 Attributes of Strong Brands

The value of a brand comes from its ability to gain an exclusive meaning, positive image and prominent identity in the minds of a large number of consumers. Following are the attributes of strong brands:

- **Excels at delivering desired benefits**: Popular brands have created competitive advantages with product performance. Eureka Forbes has carved a niche in the market for water purifiers and vacuum cleaners with its product quality, innovative distribution, prompt and efficient services.
- **Stays relevant**: Brands have also been leaders in their product categories for years together by understanding customer motivations and expectations and delivering relevant and appealing images around their products. Brand such as Gillette has consistently met consumer's expectations with its safety razors. Promoted with the slogan "The Best a Man Can Get" it has sponsored athletes such as Roger Federer, Tiger Woods, Shoaib Malik, Derek Jeter, Thierry Henry and Rahul Dravid.
- **Pricing strategy based on consumer's perception of value:** Marketer has to work out the right synergy between product features and price. The company should be able to deliver value proposition to its customers. Nirma from Karsanbhai Patel could fight Surf's competition in initial days by selling its detergent at Rs. 3 per kg while Surf was selling at Rs. 15 per kg.
- **Positioned properly**: Successful brands have distinctive and unique image which is different from competitors in reliably identifiable ways. Ponds cold cream in its advertising campaign used the headline "laugh dry winter skin away with cold cream by Ponds" while the bottom line of the advertisement concluded "extra rich with beauty oils your skin needs in winter." This way the brand was able to effectively establish point of parity and point of differentiation.
- **Communicates consistent brand messages**: Vicks Vaporub became the leading brand for cold remedies through its consistent messages. Thus maintaining a strong brand requires the right balance between continuity in marketing initiatives and the type of changes needed to stay relevant. Colgate is another brand which tasted success because it is recommended by Indian Dental Association.

- **Well-designed brand hierarchy** Brand hierarchy has two dimensions - the horizontal focuses on the endorsed or sub-brands that fall within the umbrella or family brand. (For instance, Colgate Gel, Colgate Herbal resides under the family brand - Colgate). On the other hand, on the vertical dimension are a number of brands and sub-brands like Colgate mouthwashes and toothbrushes required for single-market entry. The brand hierarchy tree provides direction to plan the number of brand extensions and allocation of resources among them.
- **Uses multiple marketing activities**: The Walt Disney Company with around 85 years heritage of creativity with its "Disney" name has represented trust, optimism, quality and credibility. The company constantly undertakes innovative initiatives to keep the brand alive in customer's mind.
- **Understands consumer-brand relationship**: Managers of strong brands understand the totality of their brand's image and the customers association with their brand so they design marketing programs in such a way that the relationship with the customer is further strengthened. German brand Nivea has managed to maintain positive brand equity and brand image with consumers and its products have been identified as a "caretaker" of skin. The brand is characterized as dependable and has perceptions such as, care, mildness, reliability, gentleness, high quality and makes the consumer feel good.
- **Supported by organization**: Firms need to provide proper support to their brand and that support should be sustained over the long run. Honda city cars offered features of international standards in its cars in India such as automatic transmission, fuel efficient engine, electric windows, child proof safety lock, etc. which helped it secure a strong position in the market.
- **Monitors sources of brand equity:** Companies should periodically conduct brand audit which involves detailed internal and external investigation to assess true meaning of a brand and make changes accordingly. To fulfill their mission of becoming a top ranking National Bank- Bank of Baroda changed its logo and slogan and roped in Rahul Dravid as its brand ambassador.

5.3.2 Strategic Brand Management Process

Strategic brand management involves the design, plan and implementation of marketing programs and activities to build, measure, manage and enhance brand equity. **According to Keller, Parameswaran, Jacob** the strategic brand management process encompasses following steps :

- **Identifying and Establishing Brand Positioning**

The strategic brand management process begins with a clear understanding of what the brand is expected to represent to the customers and the manner in which it should be positioned vis-a-vis competitors. **According to Kotler**, brand positioning can be defined as the "act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's mind," such that the potential benefit to the firm is maximized. Competitive brand positioning involves creation of brand superiority in the minds of consumers. Fundamentally, positioning informs consumers of the advantages or points of differences a brand has over rivals, while at the same time establishes points of parity with the product category. For example, Brand Dove initially launched a soap and in its advertisement campaigns claimed "Doesn't dry skin like soap" wherein, the points of parity is that it represents soap category but at the same time point of differentiation is it contains one-fourth moisturizing cream so it does not dries the users skin.

A mental map is a visual depiction of the types of associations established in the consumer's minds in relation to the brand. Core brand associations are associations (attributes and benefits) with which a customer relates well. A marketer tries to build strong, unique, favorable associations for the brand. A brand mantra, also known as brand essence or core brand promise is 'a single thought that captures the soul of the brand' , communicates fundamental nature of a brand and provides focus to the organization. For example, the brand essence of Dettol is protection against germs and the brand essence of Horlicks is health and nourishment. Positioning is effective when consumers think and feel about the brand in a way similar to the core identity of the brand thus, core brand associations, points of parity, points of difference, and brand mantra symbolize the heart and soul of the brand.

- **Planning and Implementing Brand Marketing Programs**

Strong brand equity includes creation of a brand that consumers recall well and with which they have favorable brand associations. Brand building depends on following factors:

1. Judicious selection of brand elements.
2. Effective integration of brand into marketing activities and programmes.
3. Leveraging secondary associations (such as the company, marketing communications, country of origin, or channel of distribution).

Some important considerations of each of these recognizable factors include:

Choice of Brand Elements: The most common brand elements are brand names, logos, jingles, mascots, packaging, and slogans. A number of alternatives are considered for choosing brand elements to enhance brand awareness and facilitate the formation of unique brand associations. Because diverse brand elements have different advantages, brand managers use some of the possible elements or all of them.

Brand integration into Marketing Activities and Supporting Marketing Programs: Careful choice of brand elements positively contributes towards building brand equity, however more favorable contribution comes from designing creative marketing activities related to the brand. Essence of brand Lifebuoy from HUL is health and cleanliness and to create stronger brand association the brand associated with more than 100 restaurants and cafés at the Kumbh Mela festival in 2013, to increase awareness about good hand washing habits. For every food ordered at dhaba, the first roti carried the branded message "Lifebuoy se haath dhoye kya?" (Did you wash your hands with Lifebuoy?). The words were heat stamped onto more than 2.5 million rotis, without the use of ink, to make it edible. Lifebuoy soaps were also placed in the wash rooms of each of the eating joints during the campaign and banners and billboards were used to further enhance reach among millions more prospects with its hand washing message.

Highlight secondary associations. The final way to build brand equity is to leverage secondary associations. For example, the brand source may be highlighted, such as the company (Tata Indica from Tata Motors), countries (through identification of product origin such as ITC's Kitchens of India ready to eat Indian cuisines), and channels of distribution (through channel strategy like Amway, Oriflame and Tupperware have used Multi-level Marketing), as well as to other brand (through ingredients or co-branding such as use of Intel Pentium chip in Dell Computers), spokespeople (through celebrities like, Amitabh Bachchan endorses Cadbury and Kareena Kapoor endorses Sony Vaio), and through sporting or cultural events (through sponsorship like PepsiCo was the ***title sponsor*** of Indian Premier League, 2013).

- **Measuring and Interpreting Brand Performance**

According to Keller "a brand audit is a comprehensive examination of a brand to assess its health, uncover its sources of equity, and suggest ways to improve and leverage that equity." A brand audit is thus an exercise intended to assess the health of a brand and set the strategic direction for the brand. Tracking studies includes information collected from customers on a routine basis to evaluate the effectiveness of marketing programs on short-term basis while brand audits measure where has the brand been in the long run.

In order to understand the effects of brand positioning strategy and brand marketing programs, marketer measure and interpret brand performance through marketing research and the brand value chain. The brand value chain is a means to trace the value created by brands, to understand the financial implications of marketing expenditures and investments incurred on brands in terms of product research and development, intermediary support and marketing communications.

To manage brands profitably, managers must efficiently design and implement a brand equity measurement system. A brand equity measurement system includes research procedures meant to provide timely, accurate, and actionable information for brand managers to make best possible tactical decisions in the short term and the unsurpassed strategic decisions in the long run. Implementing such a system involves conducting brand tracking and implementing a brand equity management system.

- **Growing and Sustaining Brand Equity**

Maintaining and sustaining brand equity is challenging in today's technology-driven competitive market. Brand equity management activities take a long term view of the brand's identity, understand and adjust branding strategies to reflect corporate concerns over geographical boundaries or market segments.

Defining the Branding Strategy. The firm's branding strategy provides general guidelines about the brand elements to be applied across organization's products. The main parameters considered to define corporate branding strategy are the brand-product matrix, brand architecture and the brand hierarchy. The brand-product matrix is a graphical representation of all the brands and products offered by the firm in the market for sale. The brand architecture is the structure and organization of brands and brand hierarchy covers the different organizational levels within a brand system. The brand portfolio is the total collection of all brands and brand lines that a particular firm offers for sale to buyers in a particular category.

Managing Brand Equity over Time. Effective and efficient brand management requires taking a long-term perspective of marketing activities, plans and programs. A long-term view also produces proactive strategies to maintain and enhance brand equity over time, in lieu of external happenings in the marketing environment and internal settings in an organization's marketing goals and programs. In 2006, ITC's Wills Lifestyle became title partner of India's most prestigious fashion event **- Wills Lifestyle India Fashion Week -** that has received appreciation from buyers and retailers as the single largest B-2-B platform for the fashion design industry.

Managing Brand Equity over Geographic Boundaries, Cultures, and Market Segments. Managing brand equity requires consideration in recognizing and accounting for diverse consumers in formulating branding and marketing programs. The relevance of branding in creating the firm's identity and establishing its position in the global marketplace among customers, retailers and other market players, makes it increasingly imperative for firms to establish an efficient global branding strategy. In expanding a brand internationally, managers need to build equity by relying on specific knowledge about the experience and expectations of the target customers.

5.4 Enduring Brand Leadership

According to Issac Jacob, enduring brand leadership in the Indian market is determined by the following:

- **Customer Focus and Vision:** Those companies that have an impactful and relentless customer focus and vision have been able to sustain a lasting brand relationship. Fevicol and Tanishq have depicted this in the Indian market.
- **Stay Close to the Brand DNA:** By consistently revamping its product portfolio, an organization stays close to the soul of the brand. Brand Lifebuoy from Hindustan Unilever Ltd. and Dettol from Reckitt Benckiser are fine examples of brands that have consistently stayed close to their brand DNA.
- **Innovation-Driven Product Rejuvenation:** To maintain their competitive edge companies need to revitalize their brands from time to time. In today's dynamic marketing environment companies need to innovate in terms of product features, technology update, styling, variants and so on. Brands such as Hero and Samsung have effectively used this strategy to maintain leadership in the Indian market.
- **Stay Relevant to the Changing Consumer expectations and Lifestyle:** Consumers today are well informed, more demanding and their needs and wants are changing fast so it becomes important for companies to keep pace with customer's expectations. Brands have to remain relevant to changing consumer preferences with the objective to maintain their leadership. Asian Paints have maintained their leadership in decorative home segment by catering to consumers changing lifestyles effectively.
- **Long-Term Financial Commitment:** An organization needs to stay financially prudent and committed towards programs in marketing, product research and development, distribution and brand building in order to sustain its leadership position. Short-term profitability goal and lack of financial investments in strategic marketing and product innovation will prove to be a detrimental to the company's goals of maintaining brand leadership. TATA Motors could establish a competitive passenger vehicle portfolio in India only because of its long-term commitment. Tata Nano, the most economical car in the world is also an outcome of that vision.

5.5 Summary

A brand is a product with added dimensions that differentiate it from other products meant to satisfy same need or want. Brands offer numerous benefits to customers and organizations. There are many rewards to businesses that build successful brands including higher prices, raised profit margins, better distribution and customer loyalty. An established brand forms a set of associations and perceptions in people's minds, and branding is a persuasive attempt to harness, generate, influence and control these associations to help the organization connect better and perform better. Branding is employed to create emotional attachment, enduring relationship with products and companies and branding efforts create a feeling of involvement, a sense of premium quality, and an aura of intangible qualities that surround the brand name, logo, or symbol. Strategic brand management builds strategic awareness where customers not only recognize the brand, but also understand the unique, distinctive qualities that makes it superior to competitors. Strategic Brand Management Process commences with identifying brand positioning and includes brand marketing programs, measurement of brand performance and ways to grow brand equity.

5.6 Self Assessment Questions

1. What is a brand? How is it different from a product?
2. What are the different elements of branding? Mention with help of suitable examples.
3. Enumerate benefits of branding for the customers and organizations.
4. How can organizations build strong brands?
5. Discuss the strategies to grow and sustain brand equity.
6. Pick your favorite brands in FMCG, Consumer Durables and Services and discuss why these brands are preferred by you.

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Unit - 6 Brand Building

Structure of Unit

6.0 Objectives

After completing this unit, you would be able to:

- Understand the relevance of brand building;
- Figure out the need for brand building;
- Know about elements that facilitate brand building;
- Know the steps involved in brand building process;
- Learn about Brand Resonance Pyramid;
- Comprehend various branding challenges.

6.1 Introduction

Brand creation and brand building by marketers is a well defined and conscious task keeping the consumer in mind. Brand building is a significant aspect of product development strategy. It inculcates the process of developing an identity for the product to effectively position the same in the minds of the prospect. Brand building revolves around developing strong brands by creating distinction compared to competitors and subsequently achieving loyalty among the customers. Iconic brands like Harley Davidson, IBM, Coca-Cola, GE, etc. have been created by visionary companies across the globe. The process of brand building is not possible overnight, it requires considerable investment in terms of time and money invested in market research, right positioning, devising and implementation of effective branding strategies.

6.2 Brand Building

Brand is an amalgamation of quality, assurance, association and emotional involvement. Brand encompasses communication, history, heritage and experiences, conveyed through powerful idea, effective positioning and creative branding elements.

6.2.1 Rationale for Brand Building

In spite of costs involved most marketers are investing heavily in brand building let us evaluate the reasons and benefits of building a strong brand from customers, manufacturers and trade members perspective.

Benefits of Building Strong Brands-Consumers Perspective

Brands provide important benefits to consumers like,

- **Source of identification:** Brand identifies the maker or source of product and assists consumers in assignment of responsibility to a specific product manufacturer.
- **Symbol of quality:** Brands signal quality to its user. A brand name guarantees homogeneity of the products and instills confidence in consumers by denoting quality products**.**
- **Source of evaluation and psychological satisfaction:** Consumers can evaluate different products on the basis of their brand attributes**.** Moreover owning popular brands brings psychological satisfaction to customers.
- **Simplifies decision-making:** On the basis of their experience with a brand (either through search for information or through the use of the brand), consumers can easily decide which brand to purchase**.**
- **Risk Reducer:** The brand, through its brand image builds confidence and trust in consumers and reduces the risk involved in making a purchase**.**
- **Uniform price:** Retail price of branded products do not vary in different retail outlets. A packet of Lays Wafers or a Cadbury chocolate of same pack and size will be sold at the MRP (Maximum Retail Price) irrespective of the shop from which a customer purchases. Thus, consumers feel assured.
- **Tool to express self-image and status**: Customers consume brands to express their self-image, either an actual image or an ideal one, or both through the brand image**.** Status conscious consumers derive greater satisfaction from highly advertised branded products.
- **Innovative Packaging:** Branded products are mostly packed in attractive wrappers or containers facilitating customer handling.

Benefits of Building Strong Brands-Organization Perspective

Strong brands are an asset for any company and they help the firms by acting as:

- **Means of identification and distinctiveness:** A brand name identifies the maker of the brand and helps in assigning responsibility during the distribution stage whether it be for storing, sorting, selling or after-sales service**.** Brands hold distinctive impressions in consumer mind space.
- **Legal protection:** A brand name uniquely identifies the brand and its unique features and aspects, thereby providing legal protection for the branded product through trademarks, patents and copyrights**.**
- **Differential advantage:** Branding also helps in differentiating a product from other products in the product category**.** Brands endow products with unique associations. Mention of a brand name evokes different feelings and images in the minds of a consumer.

- **Price premiums:** By building a strong brand and loyal customers, an organization can demand a higher price for its product**.** Consumers are also more willing to pay more for well-known brands as they signal quality to satisfied customers.
- **Enhanced customer loyalty:** Brand equity and trust are the most influential factors that lead to brand loyalty among the consumers**.**
- **Higher market share:** A high positive customer perception about the brand leads to increased earnings and translates into a higher market share for the organization**.**
- **Inelastic response to increase in prices:** A strong brand inculcates brand loyalty and brand loyal customers are not easily swayed by price increases**.**
- **Erects entry barriers for other brands:** A strong brand can act as a barrier to the entry of other brands into the market, as brand loyal customers will take a longer time to switch from their favorite brand or may not switch at all. In the soft drinks market in India cola giants like Pepsi and Coca-Cola have erected strong entry barriers dissuading other players from entering.
- **Source of financial returns:** Strong and successful brands can be bought and sold as an asset. For example, brand Cadbury was bought over by Kraft Foods Inc. and Nokia brand was bought over by Microsoft Corporation.

Benefits of Building Strong Brands-Trade Members Perspective

- **Goodwill:** It is easier for retailers to sell established brands as they enjoy stronger preference among customers.
- **Quality:** Producers of reputed brands are conscious about the product quality which facilitates sales process at the retail end as there are lesser complaints from customers and fewer cases of product return.
- **Higher Turnover:** Brand quality, right pricing and creative advertising contribute in higher sales and higher profitability at the retailers' end.
- **Ease of sale:** Since the customers are already well aware of the brand they come prepared for the purchase so it is comfortable for the channel intermediaries to sell the brand.

6.2.2 Need for Brand Building

- **Strong brands lead to lower information costs in the purchase process:** The consumer buying decision process includes problem recognition, information search, evaluation of alternatives, purchase decision and post-purchase behavior. Out of these steps there is cost involved in information search and evaluation particularly in case of high-end products like, cars, LED TV's, etc. Well established brands do not require much searching by the customer as they already have favorable association with the brand thus the information cost is largely saved.
- **Strong brands create "imperfect" markets and reduce competition:** Under imperfect competitive market situation there are many sellers, but they sell heterogeneous goods contrary to perfect market scenario. In a perfectly competitive market price elasticity is high and a small increase in price results in

large decrease in demand. Because of having strong brands firms that operate in imperfect market have a great control over the brands they market, customers are loyal and share emotional connection with the brand as a result of which customer preferences do not change with price increase. Thus strong brands lower price elasticity and maintain demand.

- **Brand awareness increases the value of a company's stock:** Strong brands are valuable assets, non-substitutable and legally protected. They provide sustainable competitive edge and result in superior financial performance. When brand's awareness is higher customers consider it over competitors during purchase.
- **Branding increase customer retention:** Customer acquisition involves cost**.** It is estimated that it costs five times higher to attract a new customer compared to an existing customer. This is why precisely companies invest in Customer Relationship Management which is easier in case of established brands. Effective brand building enhances customer loyalty through reduced perceived risk, emotional attachment with the brand, quality promise and top of mind recall and recognition.
- **Branding support customer targeting:** Established brands have the ability to attract, retain and grow customers. Emami *Fair and Handsome the first fairness cream for men in India* is *targeted* at young urban males aged 15- 35 while the target customer for Lakme is young women and with the tagline 'On Top of the World' the brand positioning appears to be trendy and stylish.
- **Branding results in business growth:** Strong brands result in positive cash flow on account of deeper market penetration. A trusted brand brings in faster product trials for new products, higher referral rates, quicker adoption time and repeat purchases. The homegrown Amul's brand value in 2013 stood at US $3.2 billion.

6.2.3 Brand Building Elements

Brands are built by a combination of following factors as exhibited in **Figure 6.2**:

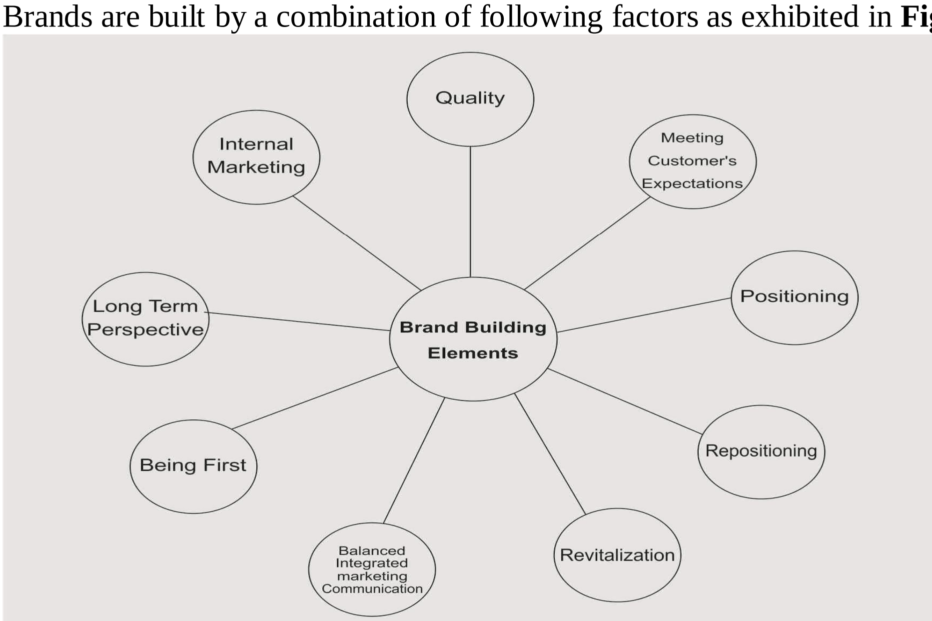


Figure 6.1 – Brand Building Elements

Quality: Building quality into the core product is significant because the core product has to live up to the customer expectations. The functional performance of the brand should delight a customer. Higher quality brands have witnessed greater market share and higher profitability compared to weak performers. FMCG Brands like Surf, Boost, Brooke Bond Tea have been accepted by the customers because of delivering on quality promise.

Meeting Customer's Expectations: A brand should be designed and launched in a manner that satisfies a customer expectation and aspiration. To be successful a brand has to fill a need gap for a customer which is not being filled effectively by competitors. Hero-motorcycles formerly known as Hero-Honda became successful because of the fuel efficiency of their bikes and their famous tagline highlighting this USP (Unique Selling Proposition) which communicated "Fill it, Shut it, Forget It" for the bikes.

Positioning: Brands have attempted to create a distinctive image in the customer's minds by highlighting product features, ingredients, benefits, style, etc. in their advertising campaigns. Over the years, popular taglines and brands have become synonymous with each other, and in case of TTK Prestige, the company has chosen to go back to its popular and iconic tagline, 'Jo Biwi Se Kare Pyaar, Woh Prestige Se Kaise Kare Inkaar', in an effort to remain relevant.

Repositioning: To stay contemporary popular brands have to undertake repositioning from time to time. Brands like, Bank of Baroda, Videocon, Liberty, Asian Paints, Aitel have undergone repositioning by modifying their logos and tagline. '*Gattu*', the mascot for Asian Paints which was created by cartoonist R.K. Laxman in 1954 was phased out after 2002, when company's advertising agency Ogilvy & Mather (O&M) initiated a rebranding exercise to create a new identity for the brand.

Revitalization: With an objective to infuse fresh life into brands they are revitalized as per need of the market. Revitalization also known as rejuvenation includes changes in the product style, quality, features and variants. Brand rejuvenation involves augmenting value of an existing brand by improving product attributes, distribution, promotion and enhancing its overall appeal. It is intended to re-focus the attention of consumers on an existing brand. Quite often, we see ongoing brands appearing as; 'new', 'super', 'special' 'premium,' deluxe, 'extra strong' and 'fresh',. They appear in new shapes, new pack sizes, new containers, new colors and flavors.

Balanced Integrated marketing Communication: IMC is the formulation of marketing strategies and innovative campaigns that bring together multiple marketing disciplines (paid advertising, public relations, sales-promotion, events, internet marketing, and social networking sites) that are chosen and then executed to meet the specific goals of the brand. Shoppers Stop departmental store has 5 million+ fans on Facebook. and when the retail giant hit the one million mark, it ran an exclusive offer around a coupon. In two days, over 10,000 loyal customers shopped at the store bringing it an incremental turnover of Rs. 2 crores.

Being First: First mover advantage works in favor of brands and it has been observed that pioneer brands are likely to be more successful than follower brands. The first brand shapes customer expectations for the product category and if it remains uncontested for some time it is able to capture a large customer base.
Long Term Perspective: Creating brand awareness, communicating values, building brand loyalty and enhancing brand equity takes many years. The brand has to establish credibility and trust with consistent performance so that customers associate with it. To uphold customers faith in the brand companies have to invest in brand for a long time and the returns also keep coming in for a long time.
Internal Marketing: It involves keeping employees satisfied so that they could effectively contribute in brand building and moreover, it also involves maintaining effective co-ordination between all the departments of an organization for positive outcomes. Tata Swach-water purifier was designed by Tata Research, Development and Design Centre (TRDDC) and Tata Chemicals with contributions from other Tata group companies like, Titan Industries which contributed to the development of special assembly presses for mass production of the units.

6.3 Brand Building Process

Dr Kurien's, Father of White Revolution and the man behind renowned brand "Amul" vision, and deep understanding of how brands operate, can be understood from this statement: "I have always been a firm believer of the dictum that 'Brand is power'. A cooperative without a "brand" can never aspire to survive -- let alone thrive -- while marketing commodities in today's competitive environment. Only by nurturing its marketing skills and building solid brands can cooperatives make their own growing space in the market. And we must never forget that quality and value are the foundation for successful brands." Thus in one line, he encapsulated that in brand building process this statement holds true "Never forget that quality and value are the foundation for successful brands".

6.3.1 Brand Building Process

Strong brands are built over a period of time and require strategic perspective along with futuristic leadership. On analysis of several successful brands we can observe that brand building process involves:

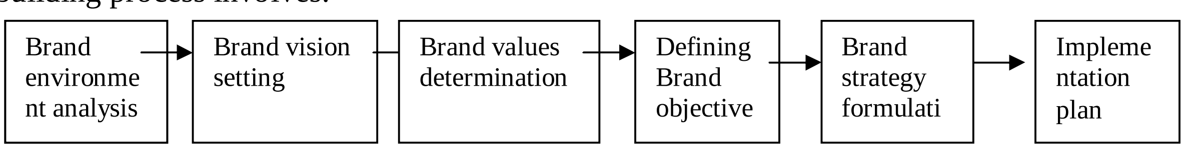


Figure 6.2 –Brand Building Process

1. **Brand Environment Analysis**

Brand building begins with both internal and external environment scanning. Internal environment analysis involves the degree of commitment and trust employees have in the brand. Internal customer (employee) satisfaction, involvement and loyalty towards the brand is significant in brand building. Internal environment also encompasses a study of inter-departmental co-ordination, communication and conflict resolution processes to maximize customer satisfaction with organization brands. Internal scanning also covers channel intermediaries (wholesalers, distributors, dealers, retailers) and their perceptions, beliefs, commitment and expectations in the context of the brand also need to be reviewed from time to time.

External environment involves studying demographic, political-legal, socio-cultural, economic and technological factors which affect the success or failure of a brand in the market. Among the external environment forces the most important is the research on customer's preferences, life style, price sensitivity, key attributes and also benefits that he or she seeks in a brand. An organization that correctly senses its customer expectation will deliver a stronger brand in the market. Consider the example of Godrej '*Chotukool*' (Mini-refrigerator). Godrej team visited potential adopters' homes and witnessed the manner in which rural consumers purchased, prepared and stored food and drinks.

Godrej developed product prototypes for feedback at "co-creation" events and gathered market information like, in a poll of 600 women in the village of Osmanabad, the community voted to make the product red, the color of harmony and bliss. These effort resulted in creation of ChotuKool, or "little cool", a disruptive innovation for the bottom of the pyramid, and it has been aptly referred to as "the Tata Nano of appliances".

The portable fridge, designed to cool five to six bottles of water, stocks a few kilos of vegetables, runs on batteries and is sold for around Rs. 3700, which is 35 percent less than the cheapest fridge available in the market. At less than 8 kg, it works on a cooling chip and a small fan that consumes 55 watts of power. It is designed to operate on dual power supply, including batteries as there is shortage of electricity in the villages. The product is doing well today.

1. **Brand Vision setting**

   Brand's internal and external environment analysis helps to identify strengths, weaknesses, opportunities and threats which assist the brand strategists in visualizing the long term growth of the brand say over a period of ten years. This brand vision needs to be backed by an effective action plan clubbed with inter-functional co-ordination and employee commitment. Vision has to be shared, comprehended and believed in by all levels of management and all departments besides marketing.

2. **Brand Values**

   These are tangible and intangible beliefs that marketer wishes to create and customer desires to buy. If the tangible value is value for money proposition, then the brand needs to incorporate and improvise on the product features and offer it at a low price in the market compared to competitors. For example Priyagold biscuits could fight competition with Britannia because of its low cost offering. Eon car from Hyundai also became successful because it was competitively priced. Similarly, if a brand wants to be known as a technology leader like Sony or Apple it has to continuously innovate, offer technologically superior products and stay ahead of competition.

3. Brand Objectives

Well articulated vision statement and finely defined brand values helps the strategist in setting short, medium and long term brand objectives. While the long term objective of every brand would be to emerge as the leader in its segment in the market, the short and medium objectives will relate to brand awareness, brand knowledge, brand liking and brand preference by communicating unique brand characteristics and attributes. Short and medium objectives also include market penetration through intensive distribution and sales. Popular brands like Pepsi, Lifebuoy and Sunsilk are stocked and sold extensively in India through well established distribution network.

4. Brand Strategy

Strategy is an action plan to help the strategist realize his vision and accomplish brand's long term objectives after careful evaluation of alternatives. The brand strategy could be a leader strategy, a challenger or a niche strategy. An effective strategy is a pre-requisite because there are multiple ways to achieve brand vision. Let us consider the case of Maruti which has maintained its leadership in the automobile market through market development, product innovations, extensive sales and service network. Today Maruti has multiple variants to satisfy diverse customer needs. Company's popular selling brands include, Alto -800, Ritz, Wagon-R, Ertiga, Swift, etc. On the other hand Honda has challenged Maruti's Swift Dzire by launching its debut diesel variant Amaze in the Indian market. Godrej's Ezee detergent has adopted niche strategy by focusing exclusively on woolen clothes cleaning.

5. Implementation Plan

An ineffective implementation plan will fail the best of the brand strategies. An effective implementation plan includes development of integrated set of cues intended to reinforce a brand's image among the target audience. An integrated cue set encompasses the following:

(a) **Packaging:** It communicates the brand's values and personality. Packaging provides innovation opportunity, convenience of handling and education on product usage. An attractive package also grabs consumer's attention at the retail store. Maggi noodles adoption in the Indian market was quicker because of the cooking instructions on the pack. Nutritional information on the packs of Knorr soups or Britannia biscuits facilitates consumer's purchase decision. Kinderjoy chocolates have become popular because of their distinctive egg-shape packaging.

(b) **Integrated marketing Communications:** Effective integration of all marketing communication tools like advertising, sales-promotion, public relations, events and experiences, internet marketing has worked in favour of the brand. Event management and sponsorship also contribute positively in brand building. Brand Café Coffee Day is effectively utilizing social networking sites like facebook, youtube and twitter to communicate to youth.

(c) **Customer engagement**: It aims at long-term engagement, motivating customer loyalty and advocacy through word-of-mouth. Today, leveraging customer contributions is a significant source of competitive advantage – whether through advertising, user generated product reviews or consumer forums. Today marketers are effectively engaging the customers in product creation and are improving products based on customer post-purchase experience and feedback.

(d) **Availability and visibility at the retail outlets:** Extensive reach clubbed with attractive merchandising and visual display at the point of purchase reinforces brand image. Wafers are attractively displayed in stands in the shops while chocolates and cold drinks in glass door refrigerators are easily visible to the customers.

(e) **Internal Branding:** Employees responsiveness, empathy and courtesy go a long way in imposing customer's faith and trust in the brand. Internal branding consists of activities and processes that help inform and inspire employees about brands **(Demetrios Vakratas and Tim Ambler 1999).** Brand bonding happens when customers experience the company delivering on the brand promise. All the customers' contacts with company employees and communications must be positive**.(Michael Sivy 1991)**Organizations must adopt an internal perspective to ensure that employees and marketing partners appreciate and understand basic branding ideas. A welcoming ICICI bank employee or a smiling Mcdonald's employee is also a brand ambassador.

(f) **Use of effective media vehicles**: Today's customer has access to all the media vehicles like television, newspaper, radio, internet, mobile phones etc. and this convergence of technologies offers marketers phenomenal possibilities to reach out to their target audience in a more effective and economical way.

(g) **Co-branding:** Marketers often club their brands with brands from other companies to tap marketing opportunity in a mutually beneficial way. Under co-branding also referred to as dual branding or brand bundling two or more products are combined together and marketed. Case of Citibank and Jet Airways or Indian Oil and Citibank is an example of joint-venture co-branding credit cards.

6.3.2 Building a Strong Brand: Brand Resonance Pyramid

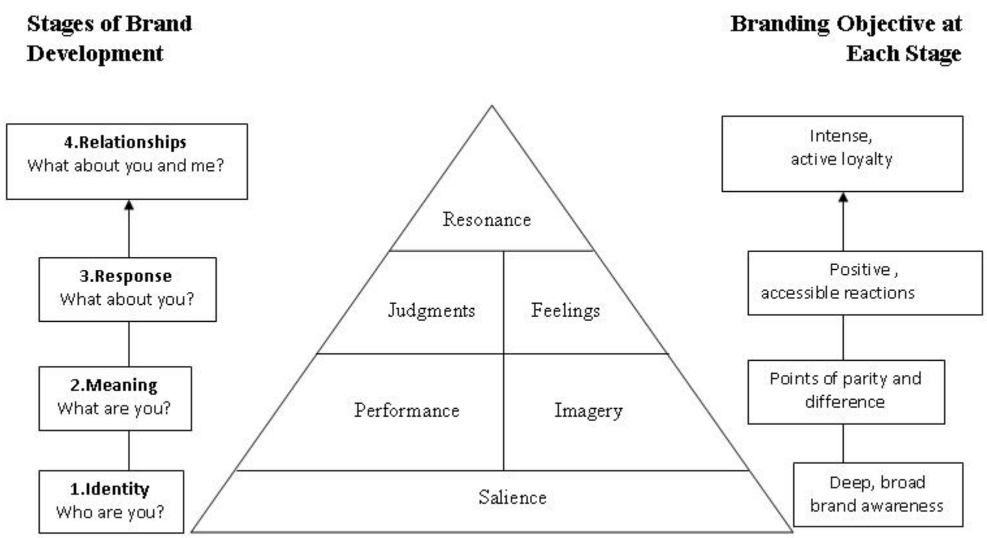
According to **Kevin Lane Keller** the brand resonance model for building a brand comprises ascending series of four steps from bottom to top and each of the step is contingent on successfully achieving the objectives of the previous one. These four steps are:

1. Ensuring proper identification of the brand with customers and an association of the brand in customers' minds.

2. Establishing the totality of brand meaning in the minds of customers by strategically attaching tangible and intangible brand associations.
3. Obtaining requisite customer responses based on brand identification and brand meaning.
4. Converting brand response to form active loyalty relationships with customers.

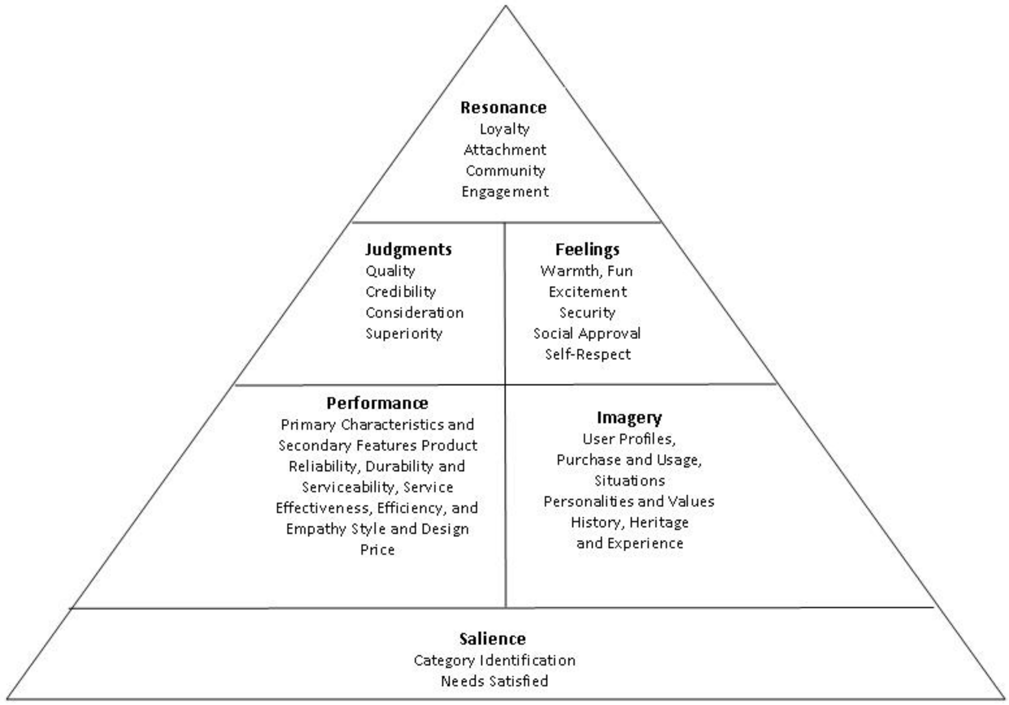
These four steps include a set of fundamental questions that strike consumers about brands. The four questions are:

1. Who are you? **(Brand Identity)**
2. What are you? **(Brand Meaning)**
3. What do I think or feel about you? **(Brand Response)**
4. What kind of association and how much of a connection would I like to have with you? **(Brand Relationship)**



Source: Kevin Lane Keller, M.G.. Parameswaran, Issac Jacob 2013

Figure 6.3 Customer-Based Brand Equity Pyramid



Source: Kevin Lane Keller, M.G.. Parameswaran, Issac Jacob 2013

Figure 6.4 Sub-dimensions of Brand Building Blocks

According to Keller (2004), there are six "brand building blocks" with customers that we can assemble in a pyramid, with strong brand equity happening only if the brands reach the top of the pyramid. The brand building process is exhibited in **Figures 6.3 and 6.4.** Brand building blocks on the left side of the pyramid represent a more "rational route" to brand building, while building blocks on the right side of the pyramid depict a more "rational route".

MasterCard award winning advertising campaign "There are some things money can't buy; for everything else, there's MasterCard" emphasizes the rational advantages of the credit card as well as provides the emotional connect. India's Pizza Delivery expert and market leader in the organized pizza home delivery segment Domino's Pizza advertising campaign initially was rational when it said "Hungry Kya Helpline" followed by the emotional proposition of Happiness Home delivered - 'Khushiyon ki Home Delivery'. After spending four years with this emotional campaign the firm announced the launch of their new brand positioning campaign in 2012 that focuses on relationships and bonding "Yeh Hai Rishton Ka Time" to deepen their engagement with consumers.

Brand Salience

Brand awareness is an important construct of identifying a brand, i.e. brand salience. It measures how frequently and how easily customers remember the brand under different purchase or consumption situations. What types of reminders are required? To what extent is the brand on top-of-mind recall. The ultimate desire is to create 'Breadth and

Depth of brand awareness' where depth relates to how easily the brand is recalled or how likely it is for a brand element to be remembered and breadth measures the range of purchase and usage situations which bring the brand to mind. Thus, if we want to purchase a LED television, then the ease with which a Sony/Samsung/Panasonic comes to mind is the depth of brand awareness. To increase the breadth of brand awareness,- Vicks Vaporub, a rub for cold came out with a series of advertisements showing people using it in different situations.

Brand Performance

"The product itself is at the heart of brand equity, because it is the primary influence on what consumers experience with a brand, what they hear about a brand from others, and what the firm can tell customers about the brand in their communications. Designing and delivering a product that fully satisfies consumer needs and wants is a prerequisite for successful marketing, regardless of whether the product is a tangible good, service, organization or person" **(Keller, Parameswaran, Jacob).** Performance of a brand relates to how well the product meets customer's functional needs and want. **According to Philip Kotler, Kevin Lane Keller** five important benefits are evaluated by a customer to judge brand performance and these are:

1. Primary ingredients and supplementary features
2. Product reliability, durability, and serviceability
3. Service effectiveness, efficiency, and empathy
4. Style and design
5. Price

Product features and characteristics differentiate the product from its competitors while how the product performs is measured in terms of reliability which measures consistency of performance over a period of time, durability which decides the duration of expected economic life of the product, and serviceability covers the ease of repairing the product if need arises. Service effectiveness evaluates how well the brand satisfies customers' service expectations in terms of speed of service, service experience and service empathy which is governed by the way employees attend to the customers. The visual appeal of the product in terms of product style, design, colour, shape and fragrance influences customers. Pricing policy of the brand in relation to other brands in the product category also creates associations in consumers' minds.

Brand Imagery

Along with brand performance the other main type of brand meaning is brand imagery which is the emotional aspect of the brand and depends on the extrinsic properties of the product. It depicts how well the brand meets the consumers' social or psychological needs.

Brand imagery refers to more intangible aspects of the brand and can be identified as follows:

- **User profiles**- Descriptive demographic profiles or abstract psychographic factors can be utilized to create an image of the type of people who use the brand. Fastrack watches from Titan is a youth brand targeted at 15-25 year-olds belonging to SEC A& B households.

- **Usage and purchase situations**-The purchase association relating to a usage situation like time of day, week or year to use the brand is highlighted, consumption location-inside and out of home or usage occasion is linked. At the time of its launch Cadbury Perk used the tagline 'Thodi Si Pet Pooja, Kahin Bhi Kabhi Bhi' in its advertsing campaign and showed various consumption situations when the brand could be used. Most of the diamond advertisements are exhibiting couples or showing weddings to link the product with marriage and anniversary occasion.
- **Personality and values**- Brand Personality is defined as the set of human characteristics or traits associated with a brand. The brands take on personality traits like cheerfulness, reliability, friendliness, and others. Studies have also revealed that people purchase brands whose traits match with their personality. Brands like Pepsi, Reebok and Apple have a youthful personality thus they are preferred by the "Generation Next'. Levi's jeans brand personality is dependable, rugged, real & authentic.
- **History, Heritage and experiences**- Long years of association of a brand with customers develops positive image for the brand. 100 years of caring by Dabur, Raymond 'Since 1925'and MDH Masala highlighting its history by quoting 'real spices since 1919' have favorably impacted brand sales. The instant noodle snack brand Nestle's Maggi celebrated its 25th anniversary in 2009 and to make consumers part of the brand's journey, its communication message focused on various memories people associated with the brand through its 'Me and Meri' Maggi story campaign exhibited on product packets, narrated in advertisements and shared on social networking sites.

Brand Judgments

Brand Judgments are customers' personal opinions about and evaluations of the brand, which consumers form by putting together all the different brand performance and imagery associations. Here, the consumers evaluate the brand on its quality, credibility, consideration and superiority. Consumers' overall evaluations based on specific attributes and benefits of a brand form brand attitudes. Customers also form judgments based on trustworthiness, likability and perceived expertise of the brand. If a consumer has to judge a brand like Bajaj fans he will judge it on competence, innovativeness, dependability and likability. Strong and favorable brand associations result in brand consideration at time of purchase. Moreover customers also judge whether the brand is better than competitor brands or not.

Brand Feelings

Brands evoke different feelings in customers, related to fun, excitement, security, social approval, warmth, and/or self-respect. Brands many a times make customers feel warmhearted or affectionate (Amul chocolates-A Gift for someone you love), lighthearted, joyous and cheerful (Pepsi's Mirinda - 'Zor ka jhatka dheere se lage' , (the big shock feels less shocking), energized and excited (Mountain Dew-'Darr ke aagey jeet hai (Overcome your fear to emerge a winner)'. Brands also produce feeling of comfort, security and self-assurance (LIC-'Jindagi ke saath bhi, Jindagi ke baad bhi' (With You during your lifetime and afterwards also), or evoke sense of pride, fulfillment or accomplishment (HDFC Standard Life Insurance 'Sar uttha ke jiyo' (Live with your head held high).

Brand Resonance
It is the final step of the model and focuses on the bonding, relationship and level of identification that the customer has with the brand. Brand resonance involves the intensity of attachment and involvement to engage not only in purchase but also to communicate positively about the brand to others. Harley-Davidson an American motorcycle manufacturer which in 2013 completed its 110 years of existence is famous for establishing the "Harley Owners Group" (HOG) in 1983 to build on the loyalty of Harley-Davidson enthusiasts as a way to popularize a lifestyle alongside its products.

Figure 6.5 exhibit the probable queries that a customer attempts to resolve while making a brand purchase decision.

I. Salience

What brands of product of service category can you think of?
(using increasingly specific product category cues)
Have you ever heard of these brands?
Which brands might you be likely to use under the following situations…?
How frequently do you think of this brand?

II. Performance

Compared with other brands in the category, how well does this brand provide the basic functions of the product or service category?
Compared with other brands in the category, how well does this brand satisfy the basic need of the product or service category?
To What extent does this brand have special features?
How reliable is this brand?
How durable is this brand?
How easily serviced is this brand?
How effective is this brand's service? Does it completely satisfy your requirements?
How efficient is this brand's service in terms of speed, responsiveness, and so forth?
How courteous and helpful are the providers of this brand's service?
How stylish do you find this brand?
How much do you like the look, fuel and other design aspects of this brand?
Compared with other brands in the category with which it competes, are this brand's prices generally higher, lower, or about the same?
Compared with other brands in the category with which it competes, do this brand's prices change more frequently, less frequently, or about the same amount?

III. Imagery

To what extent do people you admire and respect use this brand?
How much do you like people who use this brand?
How well do the following words describe this brand: down-to-earth, honest, daring, up-to date, reliable, successful, upper class, charming, outdoorsy?
What places are appropriate to buy this brand?
How appropriate are the following situations to use this brand?
Can you buy this brand in a lot of places?
Is this a brand that you can use in a lot of different situations?
To what extent does thinking of the brand bring back pleasant memories?
To what extent do you feel you grew up with the brand?

IV. Judgments

Quality
What is your overall opinion of this brand?
What is your assessment of the product quality of this brand?
To what extent does this brand fully satisfy your product needs?
How good a value is this brand?
Credibility
How knowledgeable are the makers of this brand?
How innovative are the makers of this brand?
How much do you trust the makers of this brand?
To what extent do the makers of this brand understand your needs?
To what extent do the makers of this brand care about your opinions?
To what extent do the makers of this brand have your interests in mind?
How much do you like this brand?
How much do you admire this brand?
How much do you respect this brand?

Consideration
How likely would you be to recommend this brand to others?
Which are your favorite products in this brand category?
How personally relevant is this brand to you?
Superiority
How unique is this brand?
To what extent does this brand offer advantages that other brands cannot?
How superior is this brand to others in the category?

V. Feelings

Does this brand give you a feeling of warmth?
Does this brand give you a feeling of fun?
Does this brand give you a feeling of excitement?
Does this brand give you a feeling of security?
Does this brand give you a feeling of social approval?
Does this brand give you a feeling of self-respect?

VI. Resonance

Loyalty

I consider myself loyal to this brand.
I buy this brand whenever I can.
I buy as much of this brand as I can.
I feel this is the only brand of this product I need.
This is the one brand I would prefer to buy/use.
If this brand were not available, It would make little difference to me if I had to use another brand.
I would go out of my way to use this brand.

Attachment

I really love this brand.
I would really miss this brand if it went away.
This brand is special to me.
This brand is more than a product to me.

Community

I really identify with people who use this brand.
I feel as if I almost belong to a club with other users of this brand.
This is a brand used by people like me.
I feel a deep connection with others who use this brand.

Engagement

I really like to talk about this brand to others.
I am always interested in learning more about this brand.
I would be interested in merchandise with this brand's name on it.
I am proud to have other know I use this brand.
I like to visit the Web site for this brand.
Compared with other people, I follow new about this brand closely.

Figure 6.5: Possible Measures of Brand Building Blocks

6.4 Brand Building Challenges

Under current competitive market environment numerous challenges are faced by brand managers:

- **Educated and well informed customers**: In today's times customers are well-educated about the different brands available in the market. Technological revolution has witnessed availability of enormous information at the click of a button, and thus customers make prudent decisions, keep track of competitive brand offerings, compare and choose wisely.

- **Growth of private labels**: With organized retail picking up in India private labels are brands owned by the retailer themselves. FMCG companies like HUL, P&G and ITC are facing stiff competition from these retailer created brands, In apparels private labels owned by Future Group are Bare, John Miller and Indigo Nation and in FMCG their private labels include Tasty Treat, Fresh n Pure. **'**More' store is an Indian retail chain operated by Aditya Birla Retail Ltd. and its own labels include Feasters, Kitchen's Promise, and Best of India under food brands and Enriche, 110%, Pestex, Paradise and Germex are its Private Labels under Personal care brands.
- **Proliferation of Brands:** Competition has intensified in all sectors and today there are a number of brands vying for consumers' attention. Globalization has lead to brand explosion across geographical boundaries further creating difficulty in brand differentiation among competing brands.
- **Bargaining power of channel intermediaries:** Distributors, wholesalers and retailers are becoming more demanding forcing organizations to engage in more trade sales-promotion tools to motivate trade members to sell their brands.
- **Innovations in media and media fragmentation:** The increase in the number of radio channels, television channels, newspapers and magazines has resulted in the divided attention of the target audience. This has become a stumbling block for marketers as the promotional budget has to be spread over a number of media, resulting in costs escalation and uncertainty regarding capturing audience attention. Social networking sites like Youtube, facebook and twitter also has to be effectively roped in organization's promotion plan for effective outcomes.
- **Enhanced IMC (Integrated Marketing Communication) activities**: Brand managers have to cover lot of IMC tools besides advertising like, internet marketing, events and experiences, sales-promotion, public relations activities to create their brand presence.
- **Increased employee turnover**: A brand is a long term investment and it calls for consistent commitment of brand promise by a team of dedicated employees and in case of employees exit brand essence takes a beating.
- **On-Line shopping:** Internet has opened doors for on-line shopping which is different from traditional mail order as customers have access to brands all the time and from all over the globe and information and interactions are in real time. Consumers are able to select between brands that meet their expectation by seeking information in a more convenient format in place of the standard catalogue format. This poses threats for brands as some components of added value, agent or the retail outlet which traditionally enhanced value by matching consumers with suppliers, may be eliminated.

6.5 Summary

Building strong brands positively contributes in increased market share, favorable consumer response and higher profitability. Building awareness, and associating the brand with the right elements like balanced communication, creative positioning, perceived quality, backed with superior performance to build and maintain loyal customers enables the development of a brand with strong equity. The brand building process involves six steps starting with environment analysis, vision formulation, values determination, objectives, strategic planning and implementation. The brand resonance pyramid elaborates on building strong brands by following the four steps of brand identity, brand meaning, brand response eventually culminating into brand relationship. Brand identity deals with brand awareness in the minds of consumers while brand meaning includes brand's performance and distinctive image. The next step, brand response encompasses rational judgment and emotional feelings for the brand. Brand resonance is the final step of the pyramid and focuses on bonding, relationship and level of identification that the customer has with the brand. A satisfied customer is the most effective brand ambassador as he patronizes the brand and spreads good word of mouth for the brand among his family and friends. The process of brand building has become complicated in the modern times because of customers knowledge, intense competition, media growth, new media options and bargaining power of channel members.

6.6 Self Assessment Questions

1. Critically evaluate the importance of brand building.
2. Elaborate on the steps involved in Strategic Brand Building Process.
3. How can organizations build strong brands?
4. Discuss the strategies to enhance brand performance and imagery.
5. Identify brands with which you have the most resonance and why?
6. Discuss the challenges faced by brand managers in building brands in the modern times.

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Unit - 7 Branding Strategies

Structure of Unit

7.0 Objectives

After completing this unit, you would be able to:

- Appreciate the concept of branding decisions;
- Figure out advantages of branding strategies;
- Comprehend branding strategies and growth opportunities;
- Understand the types of branding strategies;
- Relate to the difference between individual product, corporate, line, range, source and endorser brand strategy;
- Learn about the international branding strategy.

7.1 Introduction

A company with a well-executed branding strategy gains important competitive advantage over its rivals. An effective branding strategy helps formulate a clear and consistent identity for organization products, based on attributes that are relevant for the customer. The development of brand strategies involves time, financial strength and strong marketing skills. Well-planned branding strategy positions company's products distinctly in the minds of prospects and customers, and differentiates firm's products from competitive offerings. A well-executed branding strategy revolves around the brand's strengths and communicates clear and consistent brand values. The measure of an effective branding strategy is quick recognition by the target customer with positive impact on sales. Well planned and well implemented branding strategies assist in establishing and growing a brand in the mature markets.

7.2 Branding Decisions

Branding is an important strategy to differentiate organizations product from its competitors. It is a name, logo, character, trade mark, or package design & color, intended to identify the firm's products or services from others. It symbolizes to the customer the source of the product which leads to association with the brand. In taking brand decisions, the firm has to consider the target market, cultural influences on the market and the role the brand will play in its business strategy. For example, a brand name which is culturally alien or difficult to remember may find difficulty in achieving acceptance in the market, like the case of Idemitsu brand of lubricants which the rural consumer found difficult to pronounce and remember.

According to Kotler there are various issues that have to be considered for taking decisions related to branding strategies **(See Figure 7.1)**. The relevant question is: Is there a need for developing a brand for the product? The reasons for creating a brand have been detailed in the earlier units. Today there is rarely any product that goes unbranded. Basic consumption food items are branded today like, Bread (Britannia, Modern), Wheat Flour (Kissan Annapurna, ITC Aashirwad), Salt (Tata, Nirma Shudh), Sugar (Mawana), Rice (India Gate), and Tea (Taj Mahal, Lipton). However, vegetables, fruits, fish, meat are not branded but at times specific references are made to the place from where they are obtained.

Unbranded products that are plain packed are comparatively less expensive—sometimes 20%-30% less than branded products. Still sellers prefer to brand their products even though it involves high brand development costs (packaging, labeling, promotion, legal protection, etc.) and risk (if the product does not meet customers expectation) as in the current competitive marketing environment, no marketer can survive in the long-term unless he offers products backed by popular brand.

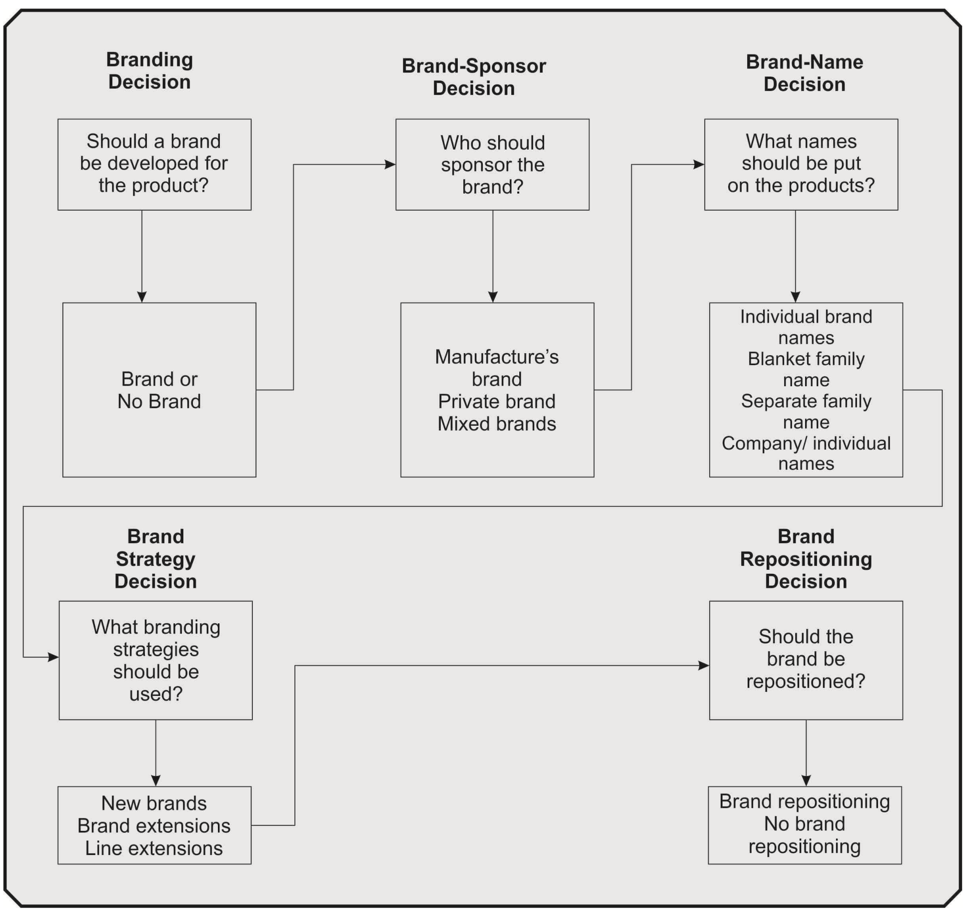

Figure 7.1: An overview of Branding Decisions

(a) Brand Sponsor Decision

Here the pertinent query is: Who should sponsor the brand? The brand can be sponsored by the manufacturer (also referred to as national or international brand) such as **Bajaj, Mahindra, Maruti** etc. The second option is the distributor or retailer who can also use their own brand as it results in better revenues and cost savings for them. Thus, departmental store Lifestyle owns brands like, women's ethnic wear brand 'Mélange', youth brand 'Ginger' and western wear brand for men and women 'Code'. Lifestyle major competitor Shoppers Stop also owns women's ethnic wear brand 'Kashish', menswear brand 'Mario Zegnoti', women's corporate wear and accessories brand 'Elliza Donatein'. The third alternative is the licensed brand as being operated by Coca-Cola company in India.

Regarding the brand sponsorship, **Dibb (1997) and Kotler (1999)** differentiate between five categories Manufacturer brands, Own label/Private label, Generic brands (eg. Dettol), licensed brands and combination of brands (eg, co-brands- Nokia Lumia-Microsoft). **(See Figure: 7.2)**

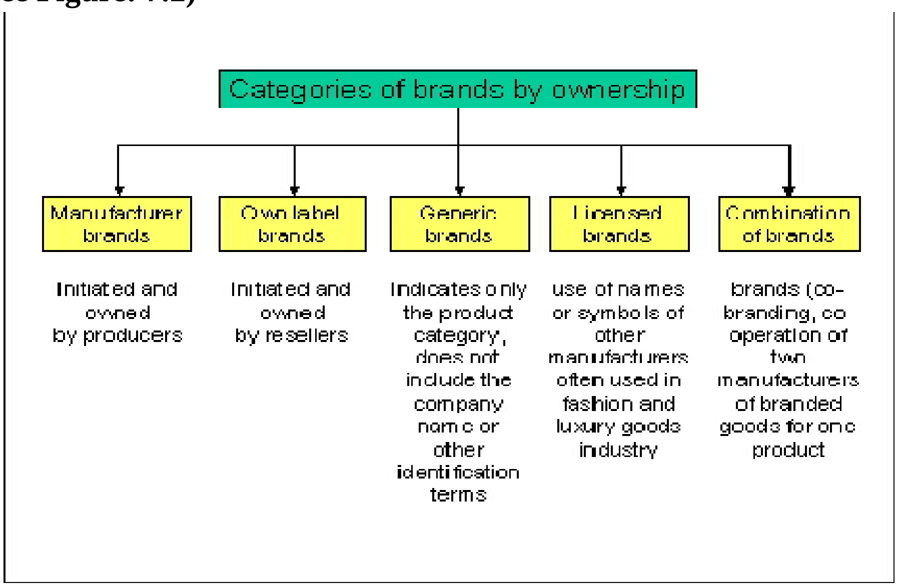

Figure: 7.2 Categories of Brands by Ownership

(b) Brand-Name Decision

The pertinent question now is: What name should be given to the product? Brand name decision has to be taken carefully because it has future implications on the success of the branded product or – in case of the corporate brand – on the whole company. **Murphy (1990) and Dibb (1997)** have suggested a list of factors that shoul be considered while deciding brand names.(**Fig. 7.3)**

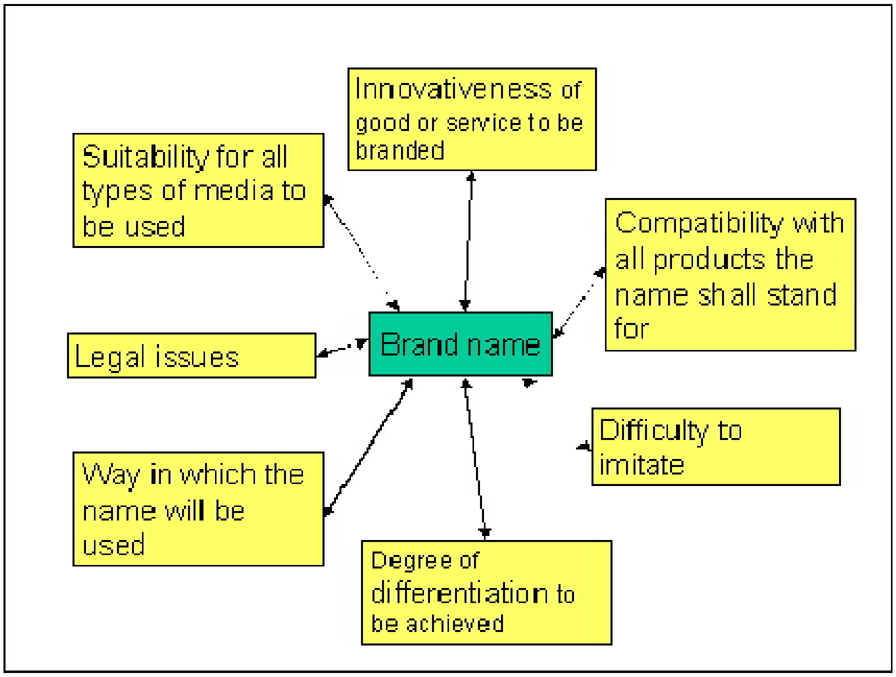

Figure: 7.3 Factors to be considered while deciding brand name

After duly considering the above factors various options for finalizing brand names can be:

(i) ***Individual Brand Name.*** Under this different names to each of their offering. For example, Coca-Cola India has policy of giving individual names to each of its product, — Fanta, Limca, Thums Up, Minute Maid, Maaza, Kinley, Gatorade while Frito-Lay, the foods division of the cola major PepsiCo, owns individual brands like Cheetos, Kurkure, Lays, Uncle Chipps and Aliva among others. The key advantage of using individual brand names is that it does not tie its reputation with other product or its own name. Therefore there is no effect of failure or low qualities of the product. For example, HUL introduced Hina frozen peas in 1960s which failed because the Indian market was not mature enough to accept the product idea of frozen peas. It did not affect the reputation of HUL. Another company Perfetti entered the Indian market in 1994 by launching its first brand Center Fresh, followed by Big Babol, Alpenliebe, Centre Fruit, Centre Shock, Happydent, Marbels, Mentos, etc which are all individual product names. Recently the company forayed into salty snacks category with the name 'Stop Not' in case, the brand fails to make an impact in the market it will not hurt the reputation of the corporate.

(ii) ***Blanket Family Name.*** The brand name is utilized for all the products the organization offers, thus, overcoming the requirement for name research or huge expenditure on brand building. For example, Samsung is used for Televisions, Mobiles, Microwaves, Washing machines, etc. Similarly, Panasonic, Philips uses its blanket name on all its products.

(iii) ***Separate Family Names.*** Here branding is carried out with an objective to reduce promotional costs. For example, *Reliance* uses Vimal for sarees and suitings and Harmony for curtains, etc. *J.K. Helene Curtis* owns Raymond brand in suitings and shirtings, Park Avenue & Premium in male personal grooming products and toiletries. The company has also offered Home Care Products through Premium.

(iv) Company Trade Name Combined with Individual Product Name. This strategy is used by companies to legitimize their own name and to individualize the product. Thus, Kellogg's uses Kellogg's wheatflakes, Kellogg's cornflakes, etc.

***(d)* Brand Strategy Decision**

The relevant question here is: What type of branding strategies should be used? Should it be creation of a new brand each time, as followed by Perfetti Van Melle, P&G, HUL and Frito-Lays? Should it be brand extensions, as done by HUL for Pepsodent toothpaste where toothbrushes were launched with the same brand name Pepsodent. Should the company opt for line extension when it introduces more variants in the same product category under the same brand name as done by Pepsodent toothpaste when it introduced Germicheck Superior Power, 2in1, Whitening the new line extension became: Pepsodent Germicheck Superior Power, Pepsodent 2in1, Pepsodent Whitening, and Pepsodent Centrefresh. The line extensions are an outcome of consumers need for variety while Brand extension happens to leverage the existing brand equity and multibrands are brought in to establish flanking brands at each end of the market segment, resulting in maximum security to the organization.

(e) **Brand-Repositioning Decision**

Repositioning is done usually by modifying the marketing mix in response to changes in the market, or due to competitor launching a new brand close to the one carried by a particular company or a brand’s failure to reach the brand's marketing objectives. For example, Cadbury Gems was earlier targeted at kids and was recently re-positioned to attract and include young and elderly people with its “Raho Umarless” campaign.

Brand decisions are fundamental to new product launches and have to be strategically taken as they represent investments in future and also the degree of control the organization desires to have over its marketing operations.

7.3 Branding Strategies

In the current dynamic, competitive environment brands need to constantly create new product-offerings. Focusing on brand and product as the two important factors around which firms can strategise. In order to formulate the firm's identity and establishing its position in the market among customers, prospects, retailers and other market participants, firms establish their distinctive branding strategy.

Branding strategies involve action plan for organized development of a brand to enable it to fulfill its set objectives. The strategies are to be rooted in the brand's vision and should be derived from the principles of differentiation and consistent consumer appeal. The real brand is the aggregate sum of the perceptions of all the constituencies which add to revenues and profits. Branding in essence is effective brand strategy. It's the application of quality research into brand promotions, analytical techniques, and the formulation of a relevant brand strategy.

According to **Laforet and Saunders** Branding Strategy refers to the ways firms mix and match their brand's name on their products; and **Aaker and Olins** says a firm, through its products, presents itself to the world**.** As per **Keller and Aaker; Varadarjan et al** the degree of synergy between the corporate brand and the product brand depends on the brand architecture**.** The terminology "brand architecture" is quite often used interchangeably with "branding strategy". But the concept of brand architecture, which explains how multiple product brands owned by a single company relate to one another, helps some people understand the relationship between a product and a corporate brand.

7.3.1 Advantages of Branding Strategies

The advantages of branding strategies are as follows:

Purchasing

A well-executed branding strategy facilitates customers purchase decisions for organization's products as they form distinct perception of the performance, attributes and quality of products. The trust placed by the customer in the organization's products in meeting their expectations minimizes customers' risk in purchasing organization's product. A strong brand helps build sustainable, long-term relationships with customers.

Distribution

A well implemented branding strategy strengthens retail presence for the brand and results in satisfied distributors. Retailers feel comfortable in stocking a product with a strong brand, because of the strong consumer demand for that product. Effective brand strategy contributes in retail sales by stimulating demand. Encouraging distributors to use company's branding material in promotions also helps to build business by giving customers faith in the service they receive from the distributor.

New Products

A strong brand ensures ease of introduction for new products that carry the same branding. The new product can be a brand or line extension -- a different size, color or flavor of an existing product or the same brand in a new product category. In the customers mind, the new product will be perceived as possessing the same qualities as the current product offering because of its association with the existing brand.

Value

A well-executed branding strategy ensures that the brand makes effectual contribution to productivity through increased revenue, better distribution and higher growth through new products. The outcome is greater value for shareholders making it easier for the company to draw investment and fund future growth.

7.3.2 Branding Strategy Alternatives

According to **Tauber** the following alternatives exist for the organization:

a) Launch of a new brand in an existing product category – flanker brand
b) Launch of a new brand in a new product category – new product
c) Launch of an existing brand in an existing product category- line extension
d) Launch of an existing brand name in a new product category- category extension/franchise extension/ brand extension

Flanker Brands - To fight competition and provide variety to customers the organizations decide to launch new brands in already existing product categories, the brands thus created are referred to as Flanker Brands. The company already has an established brand in the same product category with a different name and the new brand is meant to compete in the same existing product category without harming the existing product's market share by targeting a new set of consumers. This strategy, also referred to as fighter branding or multi-branding, helps company in achieving a larger total market share than one product could gain single handedly. For instance, HUL offers a variety of bathing soaps and shampoos, such as Lifebuoy, Lux, Pears, Liril, Rexona, Dove, Hamam, Sunsilk, Clinic-Plus etc., which act as flanker brands to each other.

New Product A firm can progress by identifying growth opportunities in different product categories as well. When a company launches a new product in a new product category it becomes a new product for the company although the product category was in existence but the company had not catered to it earlier. Launching a new brand in a new product category demands a lot of time, effort, and money. For example, Jyothy Laboratories is in fabric care with Ujala, entered into utensils cleaner, fragrances and Personal care with brands Exo Dish wash, Maya and Jeeva Naturals respectively.

The cost of bringing in a new name involves a lot of money but does not ensure success. The probability of success can be raised by using an established, existing brand name. According to **Aaker** brand names are 'the most real and marketable assets of many firms' Thus, the other growth alternative available to a firm is to leverage the existing brand name to launch other brands-either in the same or different product category This strategy is implemented by undertaking extension decisions. Research indicates that brands launched as extension 'capture a higher market share and realize increased advertising efficiency than individual brands.'

Extension can be of the two types: Line Extension and Brand Extension.

Line Extension

Addition of a new product to an existing brand in the same product category, is referred to as line extension. The new product may be a new flavour, colour, package size, etc., which targets a new set of customers. An example is PepsiCo's-Frito-Lays available in different flavours like, Magic Masala, American Style Cream n' Onion, Tomato tango, Classic Salted, India Lime and Masala. It is also available in different pack sizes of Rs. 10, 20 and 30.

Brand Extension

When an existing brand name is used to launch a new product in a different product category, it is called brand extension. The current established brand name can be used as vehicle to launch new or improved versions. For example, the brand Dove from HUL has been extended to new age product categories such as conditioners, deodorants, hair-oil, body and face wash. Similarly the brand Maggi from Nestle after being successfully launched in instant noodles is now also available in instant soups, ketchups, sauces, pasta and seasonings.

7.4 Types of Branding Strategies

An in-depth analysis of organization's branding strategies reveal six types of brand-product relationships. Each type exhibits a certain role for the brand, its status as well as its relationship with the products which the brand encompasses. The six types are typical cases of branding strategies adopted by different companies as brand architecture. Different strategies have different advantages and disadvantages to offer and there is no fixed strategy for a certain situation so, companies use one or a combination of these strategies. These strategies are responses to the market and may be structured along two axes, based on whether the value sought by the brand relates more to power and stature on the one end, or personalization, differentiation and identity on the other.

At one of the continuum the strategy is referred to as the corporate brand strategy and is represented by a single and unique brand level, the corporate name. The whole of the company that adopts it must then fall into line with the brand's values, and be the carrier of these values. Example, IBM. The services sectors (banks, insurance, consultancies) typically follow this strategy. At the other extreme is the individual product brand strategy under which the company is not identified at all. This is the case with Procter & Gamble brands. The choice of branding strategy of a company is a reflection of the strategy it selects under a certain set of circumstances which is considered in the light of four parameters: the product; the company resources, the customer and the competition. Making prudent branding decisions is important since an organization may have to live with its implications for a long time. The following is the description of the commonly used branding strategies:

7.4.1 The Individual Product Brand Strategy

Product brand strategy is a marketing strategy of giving each product in the portfolio an own, unique brand name. Here, a firm promotes and markets individual products without the organization name being front and center in the promotional campaigns or even on the product packaging. Organizations here have a portfolio of brands corresponding with their portfolio of products as exhibited in **Figure 7.4.** Product brand strategy is also referred to as unique branding and is used by companies like HUL and Proctor & Gamble. Both these companies offered different personal care & household products possessing unique identity. HUL owns famous brands like, Lux, Dove, Lifebuoy, Axe, Surf, Clinic Plus, Knorr, Kissan, Rexona, etc. while P&G owns popular brands such as: Ariel, Tide, Pantene, Duracell, Gillette, Oral-B, Pampers, Pringles, Head & Shoulders and Olay. The advantage of individual product branding strategy is that each product has an image and identity of its own which is unique. This strategy facilitates positioning of each product/ brand differently. This type of strategy offers each individual product an exclusive brand name and since the company name is not highlighted it allows the brand to have unique values, personality, identity and positioning. By doing so, it implies that every new product the company brings out in the market is a new brand and can be positioned precisely for a specific market segment.

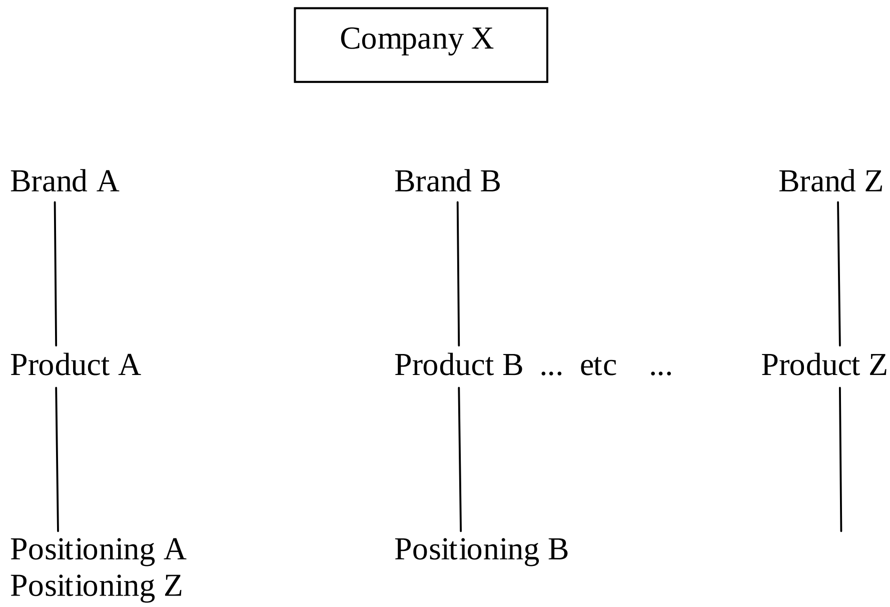

Figure 7.4: The Product-brand Strategy

Advantages:

- A unique branding strategy permits a company to influence a product area by building a successful brand that stands for just one thing.
- Allows for better resource-allocation decisions.
- In case a brand is unsuccessful, its failure does not impact the other brands the company owns. The company at times even competes against itself by offering different brands in the same product category. Irrespective of whichever product the consumer buys, the parent company gains.
- Marketing segmentation leads to targeting, this way firms can develop different product offers for different segments by giving them individual names.
- Allows multiple market entry and flexibility
- Involves consumer oriented branding not corporate branding
- Encourages innovation and risk taking
- Possible to control greater shelf space with strong brands

Disadvantages:

- The disadvantage is that each brand must be marketed separately. It takes a significant investment in terms of time, money and effort to establish a new brand.
- The other drawback includes product cannibalization as consumers cannot differentiate clearly among product brands and so higher advertising and promotion budget is required as individual product brand name is completely self-supporting with little or no brand name assistance or assurance from the parent.

- It does not contribute much towards enhancing corporate image.
- Retailers are not sure of new product’s success chances hence are unwilling to stock it.

7.4.2 The Corporate Brand Strategy

Corporate branding involves marketing different products or services offering under the name of a company. It is the practice of using a company's name as a product brand name. It is an attempt to use corporate brand equity to create product brand recognition. Corporate branding is the practice of using a company's name as a product brand name and is an attempt to use corporate brand equity to create product brand recognition. It is a type of family branding or umbrella brand.

The corporate brand contributes not only to customer-based images of the organization but also to the images formed and sustained by all its stakeholders which includes employees, customers, investors, suppliers, partners, regulators, and local communities. Corporate brand strategy involves using a single brand name for all products. Apple, Sony and Samsung utilize this strategy. New product launches enjoy the awareness of established brand identity and time involved to launch a new product is substantially reduced. Customers are aware about the brand, trust the brand and at times share a favorable association with the brand.

However, the organization should be careful in extending its product lines into many new markets, as it can become difficult to maintain superior quality for all products and as a result the whole brand suffers. One product failure in any category can tarnish company's image and reputation in the market. Customer’s brand loyalty is also reduced as the company is not perceived as a sincere provider of quality product; customers may raise doubt about the corporation's devotion to each of its other product lines as well. Corporate brand strength is critical for this strategy to be successful.

Corporate branding results in significant economies of scope since single advertising campaign can be used for promoting many products. It also facilitates acceptance of new product among potential buyers as the brand name enjoys familiarity with them. This strategy however prevents the creation of distinctive brand images or identities for different products, and may conceal different products' unique characteristics. Moreover, the result of putting a large number of heterogeneous products and services under the same brand is called the ‘rubber effect’ by Americans **(Ries and Trout).** If a brand covers many categories, it is stretched more, it weakens and looses its force like a rubber band. The advantages and disadvantages of this strategy are as follows:

Advantages

1. Allows the original brand to be nurtured by relating with products with which it was not associated before.
2. Promotion is inexpensive and easy for products falling under corporate branding.
3. For the different products and services, Integrated Marketing Communications tools can be combined.
4. Allows for substantial savings when the organization enters new strategic markets.

Disadvantages

1. If any one product under corporate branding does not perform well in the market then it can affect the overall organization brand image.
2. Different brands in corporate branding possess different attributes which vary and create impediment in the smooth functioning of brand as well as firm.
3. Also, if there is any crisis or negative publicity for any existing product or new product it adversely affects the other brands under corporate branding.

7.4.3 The Line Brand Strategy

This is of the type 'One coherent, single brand name - many complimentary products'. Under this a brand is launched with a distinctive concept and appeals to a discrete market segment who find the brand concept favorable e.g. Lakme ("source of radiant beauty"). The fundamental idea is that the brand should connect with the consumer group. The customers are not satisfied with one product that the brand offers rather they want more products which complement the brand concept or application; for example a Lakme consumer desires all the products which enhance looks-beauty lotion, deep pore cleansing cream, lipsticks, nail enamels, eye make up etc. Line brand begins with a product and later extends to a whole range of complementary products. The products in the line derive their identity from the main brand.

Line branding strategy depicts how well established brand can be extended on to a host of related products under a common concept. This strategy seeks to fulfill all complementary needs that envelop a basic need. Here, the products appear under the same brand name and possess the same basic identity but with slightly different competencies for example Britannia Milkman is the name created by Britannia for its dairy products while biscuits, bread and cakes bear the parent brand name Britannia. Line branding involves the utilization of a successful concept by extending it and at the same time staying close to the original product. Line brand strategy offers multiple advantages and some disadvantages:

Advantages:

1. Creates a strong brand image, defends the line from predatory attack by reinforcing brand image and strength.Marketing products as a line augments the brand's marketing strength and promotes sales compared to selling them as individual brands.
2. Reinforces brand's selling power and image.
3. Involves only nominal costs in distribution, packaging etc.
4. Launch costs are reduced.
5. Facilitates distribution.
6. Economies of scale in marketing communications are achieved.

Disadvantage:

1. Line strategy is limited to only those product innovations which are closely related to the existing ones.

7.4.4 The Endorsing Brand Strategy

In this strategy the product brand name has a strong profile but is endorsed by the parent company which provides the product with a seal of quality and credibility. Here, the product brands and the endorsing brands both have their distinct brand attributes, including a name, logo, brand promise, image and personality and this type of strategy is referred to as house or endorsement branding. Each individual product brands will have their own marketing for the brand and will be required to rely on their own value propositions to be successful. In this case the product brand is self supporting but maintains the assurance of the corporate brand endorsement. Endorsement branding strategy is a modified version of double branding and it makes the individual product brand name more highlighted while the corporate brand name takes a lesser status. **Figure 7.5** symbolizes endorsing brand strategy**.** Endorsing brand strategy permits a major innovation or promise to be highlighted and reinforced in marketing of brand for the family of products and allows for a high degree of brand marketing freedom for each individual product brand.

Promise A Promise Z	Promise B	Promise C
Product or range A Product Z or range Z	Product or range B	Product or range C
Brand A Brand Z	Brand B	Brand C

Endorsing Brand

Figure 7.5: Endorsing Brand Strategy

This strategy requires comprehensive understanding of brand values. Nestle employs this approach to promote and guarantee the performance of its multiple products example, Nestle Kit-Kat, Nestle Milkmaid, Nestle Eveready, Nestle Maggi, etc. The same approach has also been used by other firms like Tata motors where the company has models like, Tata Indica, Tata Manza, Tata Sumo, or Cadbury which sells brands like, Cadbury 5 Star, Cadbury Silk, Cadbury Dairy Milk, etc. Endorsement branding strikes a balance between corporate and individual product branding. Its advantages and disadvantages include:

Advantages:

1. Allows development of dual brand equity.
2. Capitalizes on quality, heritage and authenticity of the corporate brand.
3. Comparatively cost effective method of building brand equity in organization name.
4. Uses corporate brand name along with individual product brand name to express different aspects of personality.

Disadvantage

If any one product under endorsement branding does not do well in the market then it can affect the corporate brand image also.

7.4.5 The Source Brand Strategy

This is very close to corporate brand strategy with one difference every product has a different brand name under the source name i.e. products are now directly named. This is a two-tiered structure with double branding as illustrated in **Figure 7.6**. One product begins and gets sub-divided into sub-variants with different names and fulfilling different promises. Each product with a different name carries one specific promise. The source strength supports the offspring until they turn into established brands in their own right.
This strategy is often confused with the endorsing brand strategy but the difference between the two is that in the source brand concept, the family spirit dominates inspite of the offsprings having their individual names whereas, in the endorsing brand strategy the products are autonomous with only the endorsing brand in common.
Under the source brand strategy the sub-brands become so strong owing basically to strength of the source that a stage arises when the source takes the back seat and offspring emerge as the main brands because of their own promise.

Most of the Japanese cars represent source brand strategy. In case of Toyota and Honda cars the brand expression is limited only to the logo of the source, because the offspring have developed a strong identity of their own.

The benefit of this strategy lies in its ability to provide a two-level sense of difference and depth where the parent brand offers its identity and importance, changed and enriched by the daughter brand with an objective to attract a particular customer group.

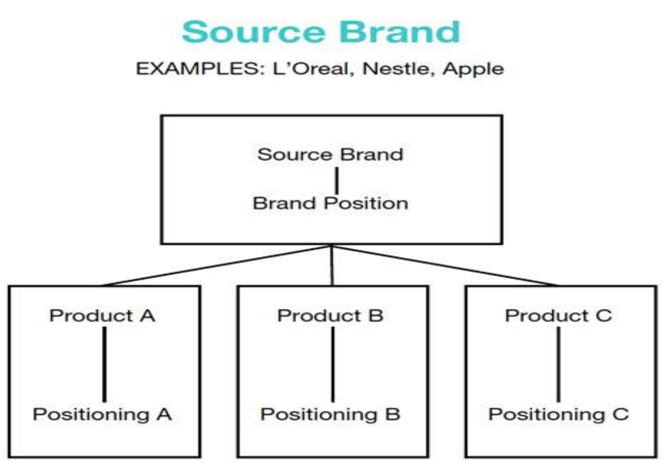

Figure 7.6: Source Brand Strategy

7.4.6 The Range Brand Strategy

A number of products or services in a broad category are grouped together under one brand name and promoted with one basic identity. Compared to product-line branding, product-range branded products carry out fundamentally the same functions but at different performance levels like various cars in the BMW 1,3, 5, 6, 7 series, Mercedes S, E, C and A class and Intel's Pentium ranges of microprocessors. Therefore the advantage here is that a single brand name allows certain economies of scale in promotion as the products tend to carry the same overall brand values and positioning.

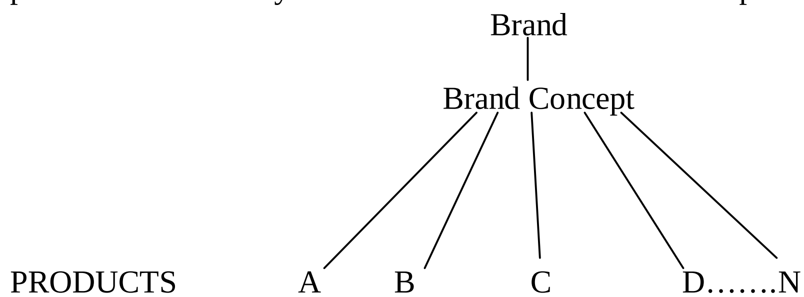

Figure 7.8: Range brand Formation

Range branding is extending a single brand across various related categories through a single promise and related to same field of competence. Harley-Davidson, for example, markets motorcycles, T- shirts, key chains, jackets, coffee cups, and so on. Less risk is involved in range branding than stretching the original brand to completely new categories. Brand strategy involves the how, when, what, and to whom the company plans to communicate its product or service. Designing a clear and precise brand strategy results in stronger overall brand equity -- how people feel about or perceive organization's product, and how much are they inclined to pay for it. Thus, each of the above strategy has its own objective and rationale. The logic for choosing any one of them depends largely on the brand strength, the new products strength and the marketing strategy. The six branding strategies are typical cases of branding however, in reality companies opt for mixed configurations where the similar brand can be, according to the product, corporate, line, endorsing or range brand.

7.5 Summary

Branding strategies are creation and management of different brands as an arrangement compatible with the strategic situation of a company. An effective branding strategy helps formulate a clear and consistent identity for organization products, based on attributes that are relevant for the customer. A well-executed branding strategy revolves around the brand's strengths and communicates clear and consistent brand values. There are various issues that have to be considered for taking decisions related to branding strategies. These issues include branding decision, brand-sponsor decision, brand-name decision, brand-strategy decision and brand-repositioning decision. In the current dynamic, competitive environment brands need to constantly create new product-offerings in the form of flanker brand, new product, line extension and brand extension.

An in-depth analysis of organization's branding strategies reveal six types of brand-product relationships. The six types of branding strategies include individual product brand strategy, corporate brand strategy, line brand strategy, endorsing brand strategy, source brand strategy and range brand strategy.

7.6 Self Assessment Questions

1. Discuss branding decisions with help of appropriate examples.
2. Critically evaluate the statement, ‘Branding strategies involve action plan for organized development of a brand to enable it to fulfill its set objectives’.
3. State the difference between range brand strategy and line brand strategy with help of relevant examples.
4. Give an appropriate example of corporate brand strategy and product brand strategy.

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Unit - 8 Brand Extension

Structure of Unit

8.0 Objectives

After completing this unit, you would be able to:

- Appreciate the concept of brand extension;
- Understand the advantages and disadvantages of brand extensions;
- Figure out the difference between line extension and brand extension;
- Learn about the types of brand extension;
- Comprehend the launching of a brand extension;
- Relate to critical factors for success of brand extension;
- Identify principles of good brand extension.

8.1 Introduction

The term "Brand Extension" is comparatively a new terminology and was coined by **Edward M. Tauber** in the year 1979 to explain that "Brand extension is using the leverage of a well known brand name in one category to launch a new product in a different category."

For example, the brand Dove from HUL was launched as a bathing bar in 1993 and today has been extended to virtually all new age product categories such as conditioners, deodorants, hair-oil, body and face wash. Similarly the brand Maggi from Nestle after being successfully launched in instant noodles is now also available in instant soups, ketchups, sauces, pasta and seasonings. Thus we can infer that when an existing brand name is used to launch a new product in a different product category, it is called brand extension/category extension. Category extension is also referred to as brand extension by some authors **(Sarkar and Singh 2005; Verna 2009).** For example Bajaj has Bajaj Auto, Bajaj Electricals Limited, Bajaj Allianz Life Insurance Company Limited and Bajaj Auto Finance Limited where, Bajaj brand has been extended to new sectors. According to Tauber for brand extensions to be successful they should possess "Fit" and "Leverage." Fit includes categories consumers are willing to accept from a brand. It defines a brand's stretch-ability or boundaries whereas, Leverage represents distinctive properties a brand "owns" that provides a competitive edge to the brand extension in the new category.

8.2 Brand Extension

Brand extension allows to capitalize on the brand equity built over years, garner success by investing less money compared to an individual brand, capture market opportunities more effectively, enhance the over-all appeal of the brand, manage fewer brands better in the portfolio, and increase advertising efficiencies. For example Samsung Electronics Co. Ltd. products include Samsung air conditioners, Samsung computers, Samsung digital televisions, Samsung mobile phones, Samsung monitors, Samsung printers and Samsung refrigerators thus, the company has efficiently managed to leverage on the success of the brand name Samsung by extending it to newer categories.

For a brand extension to fall in the consumer's 'category of fit', it should complement the primary product, and at the same time offer some extra benefits not offered by the primary product.

According to Aaker and Keller (1990), fit construct made up of three dimensions:

- Extent to which extension complements the brand's primary product.
- Extent to which extension is a substitute for the brand's primary product.
- Consumers perception of the ability of the organization to transfer the skills acquired in making existing products to manufacture the extended product.

8.2.1 Need For Brand Extension

- **Minimisation of risk:** Establishing a new brand involves huge costs and moreover it has been researched that only about one in ten product launches achieve success. This makes a new brand launch proposition risky. To minimize risk marketers thus attempt to extend the brand in synergy with the parent brand’s core promise. Example Vicco turmeric skin cream, Vicco turmeric face wash, Vicco Vajradanti toothpaste and tooth powder.

- **Energising a brand:** By extending into more variants a brand increases its visibility. Example, brand Nirma from detergent has been extended into cosmetics, soaps and salt.

- **Expanding core promise to new users:** A brand name conveys salient association or core promise to its users. Gillette is into razors and shaving foam and in order to accommodate niche consumers with sensitive skin the brand launched skin series sensitive gel.

- **Blocking or Inhibiting competition:** In case of fierce competition it becomes imperative for the company to cover all major segments and sub-segments as observed in the chocolate market. For example brand Cadbury is into chocolates with Cadbury Dairy Milk and others, is into biscuits with Cadbury Oreo, is into health drinks with Cadbury Bournvita, etc.

- **Managing a dynamic environment:** A new product innovation introduced by competition forces the company to launch a similar product as competitors in the form of brand extension. Honda Amaze was launched in diesel variant to combat Maruti Swift Dzire competition in mid-size segment.

8.2.2 Advantages of Brand Extension

A brand is an organizational asset built painstakingly over a period of time. This calls for careful evaluation of the brand extension strategy, and managers need to carefully assess as to when to protect the brand name and when to exploit it. This requires a careful understanding of the various advantages and pitfalls associated with using an established brand name to launch a new product in the market. Well – thought, Well-planned and well-implemented brand extensions provide a number of benefits to marketers that can be broadly categorized as those that facilitate new product acceptance and those that provide feedback advantages to the parent brand or organization (see Figure 8.1).

Facilitate New Product Acceptance
Improve brand image
Reduce risk perceived by customers
Increase the probability of gaining distribution and trial
Increase efficiency of promotional expenditures
Reduce costs of introductory and follow-up marketing programs
Avoid cost of developing a new brand
Allow for packaging and labeling efficiencies
Permit consumer variety-seeking
Provide Feedback Benefits to the Parent Brand and Company
Clarify brand meaning
Enhance the parent brand image
Bring new customers into brand franchise and increase market coverage
Revitalize the brand
Permit subsequent extensions

Figure 8.1: Advantages of Brand Extensions

- **Facilitate New Product Acceptance**
  It has been well researched and documented that new products suffer from high failure rate and similarly, brand extensions also can at times suffer from some of the same pitfalls faced by any new product. However, a new product introduced as a brand extension may still be more likely to succeed, on account of certain advantages offered by it:
- **Improve Brand Image and enhance appeal for the parent brand:** One of the advantages of an established and well-liked brand is that consumers form favorable association expectations of its performance over time. Similarly, with a brand extension, consumers can draw inferences and form expectations about the probable quality and performance of a new product, based on their earlier knowledge about the brand itself and the extent to which they feel in sync with

the earlier product. These inferences help improve the strength, favorability, and uniqueness of the extension's brand associations. For example, when IFB introduced dish washer, microwave ovens IFB, consumers may have been more likely to feel comfortable with its anticipated performance because of their experience with and knowledge of IFB washing machines than if the product had been branded by IFB as something completely new. The introduction of a brand extension enhances the appeal of the parent brand among earlier non-users and this results in the purchase of the parent brand and translates into an increase in market share (Swaminathan, Fox, and Reddy 2001).

- **Reduce Risk Perceived by Customers by reinforcing key associations with the parent brand:** Extensions from well-known corporate brands such as Gillette, Honda, Sony, or others many a times communicate superior quality, longevity and sustainability. Established corporate brands have a reputation associated with them for introducing high quality products, supporting them and helping them grow which is an important risk-reducer for consumers. Thus, perceptions of corporate credibility- in terms of favorability, expertise and trustworthiness-are valuable associations in introducing brand extensions as they stand for product quality and by reducing perceived risk in the minds of consumers, they facilitate the adoption of brand extensions.
- **Increase the Probability of Gaining Distribution and Trial:** As the channel intermediaries gain higher sales from demand of established brands they are more willing to stock extensions of known brands as they realize that sales of such brands will be high because of the awareness enjoyed by the parent brand. Thus, it becomes easier to convince retailers to stock and promote brand extensions and moreover consumers are also willing to try extensions of known brands. For example, Bajaj Corp Ltd. holds a number of brands in hair care category including Bajaj Almond Drops Hair Oil, Bajaj Kailash Parbat Thanda Tel, Bajaj Brahmi Amla Hair Oil, Bajaj Amla Shikakai Hair Oil and Bajaj Jasmine Hair Oil because there is awareness for Bajaj brand name it is convenient for retailers to stock its extensions and consumers are also open to the idea of trying it.
- **Increase Efficiency of Promotional Expenditures*:*** From the perspective of integrated marketing communications it is advantageous to introduce a new product as a brand extension as then the introductory campaign need not create awareness for both the brand and the new product but instead can concentrate on introducing the new product only. Dabur is trying to capitalise on the popularity of its two flagship brands, Dabur and Vatika. There is a definite advantage in using the brands across categories and promotional expenditures are substantially reduced, since there is no need to go in for fresh brand building. Vatika, for instance, is now used for hair oil, shampoos, skin care and also personal wash while Dabur is used for ayurvedic natural health care products like Toothpaste, Chyawanprash, Real Juices, ashokarishtas, etc.

- **Enhance the life-cycle of the brand and reduce Costs of Introductory and Follow-up Marketing Programs:** To keep the brand growing, an organization can launch extensions of the brand, which gives a new lease of life to the parent brand. When a brand becomes associated with multiple products, advertising becomes more cost-effective for the family brand as a whole. Costs incurred in the introductory stage of product life cycle are substantially controlled and follow-up marketing programs are easier to manage.

- **Avoid Cost of Developing a New Brand:** Creating new brand elements such as brand names, logos, symbols, mascots, and slogans involve huge costs with no assurance of success. As the number of available-and appealing-brand names keeps shrinking, legal conflicts are more likely to happen. To avoid any conflict, a global trademark search is a must for all major new brand launch or rebranding which costs lot of money which can be avoided if the brand goes in for leveraging on the popularity of the existing brand.

- **Allow for Packaging and Labeling Efficiencies**: Quite identical packages and labels for extensions result in lower production costs and, if coordinated properly, they result in more distinction at the retail stores where they result in greater recognition and identification.

- **Permit Consumer Variety-Seeking:** If offered a portfolio of brand variants within a product category, consumers who are seeking change can switch to a different product type without leaving the brand family. To compete effectively in certain categories, marketers are required to have number of items that together form a cohesive product line. For example, Life Insurance Corporation of India was earlier in the insurance segment, but now seeing the demand for housing loans, it is also offering LIC Housing loans.

8.2.3 Disadvantages of Brand Extensions

According to Tauber (1981) and Aaker (1990), some of the pitfalls of using an existing brand to launch new brands are as follows:

- **Failure of brand name to add value:** Association with a well known, established brand does not guarantee success, unless it is backed by a product that has both competitive advantage and a point of differentiation. The differentiation can stem from superior product, and/or distribution, and/or merchandizing, and/or unique styling, and/or special feature. For instance, Pepsi came out with Pepsi Blue in 2002, but the new variant could not capture the target audience and a successful brand name like Pepsi failed to add value to the extended product.
- **Negative association:** Consumers have expectations from the parent brand and they associate it with certain characteristics but if the new product fails to meet the customer expectation, it is said to be negatively associated with the brand.

Such an association then does not add value to the extended product and reduces the credibility of the new product line. Brand Pond's, went in for an unsuccessful brand extension from talcum powder and cold cream to toothpaste which failed, resulting in negative association for the brand.

- **Problem of fit:** Consumers hold certain perceptions for the brand and if the extended product fits this perception, then the consumers are likely to adopt the new product. The reverse also holds true wherein, if the extended product is not associated with how consumers perceive the parent brand then they are not likely to accept the extended brand. For example, Brand Dettol is perceived as an antiseptic lotion for protection against germs and this image was used to extend the brand to soaps, sanitizers and liquid hand wash, which was well received by the consumers. In case Dettol had used its brand name to extend into chocolates or health drinks, it would have been difficult for consumers to fit these into the perception that they hold for the brand.
- **Cannibalization of parent brand's sales:** Brand extension includes adding variants of the brand for the same customer base. This results in competition among the same brands and eventually leads to loss in sales for the variants of the brand. Example, a customer may end up buying Hero scooter in place of Hero motorcycle.
- **Perception of poor quality:** A brand that has the perception of being the best in quality alone should be extended. If the perception is a mismatch for some consumers, then the extension is bound to fail.
- **Creation of undesirable associations:** An extended brand, over a period of time, manages to create its own association with the consumers and these associations if favorable, energize the parent brand and if unfavorable results in creation of undesirable associations that can weaken the parent brand and harm its reputation.
- **Weakening of existing associations:** The extension of a brand within a product category strengthens the association with that product category. However, extension into unrelated categories blurs the boundary of the brand and can result in weakening of the existing associations. The Tata brand name has been used to brand products extending from salt to software, and thus it is difficult to associate the brand Tata with a particular product category. For example, Lux, from HUL, extended itself to Lux Shampoo and failed, as the parent brand was strongly positioned as a 'beauty soap', which was not in consonance with the category into which it was being transferred, i.e., hair care.
- **Dilution of the parent brand image resulting in confusion:** Unplanned extension can lead to the dilution of the parent brand image and confusion in the minds of the consumers as to what the brand truly represents. Also, ill-fitting brand extensions lead to dilution of the parent brand positioning **(Ries and Trout 1981).** The core identity of the brand should not be tampered with in brand extension.
- **Reduced identification with any one category:** Another aspect of brand extension is that at times they may bring success, as they are into a number of

product categories, related and unrelated both, but at the same time they might result in lack of identification with any one category. Companies such as Videocon, Tata and Reliance, which adopt corporate branding, have to overcome this issue.

- **Effect of a brand crisis :** If a brand crisis occurs, such as the incidence of pesticides in Coca-Cola or Cadbury's chocolates being infested with worms, then all the products bearing similar brand name will negatively suffer because of the crisis.
- **Foregoing the opportunity to create a new brand :** Brand extensions result in using the same brand to launch different products thus closing the option of launching and establishing a new brand, which could otherwise have been extended to cover related products. Thus, Everest has launched its various brands, such as Everest Henna Powder, Everest Tea Masala, Everest Tandoori Chicken Masala, Everest Kesari Milk Masala, etc., with the same brand name. It could have launched its herbal beauty care with a different brand name and then could have used the same brand name to extend in the beauty-care product category.
- **Encounter retailer resistance:** Brand with multiple extensions result in higher stockholding cost for the retailers and a higher occupation on the shelf space. Moreover, all the variants may not be fast moving thus the holding cost is also escalated which many a times dissuades the retailers from displaying them.

These potential pitfalls highlight the fact that extension of brand image, though a beneficial strategy for the organization, needs to be applied judiciously and in a disciplined systematic manner.

Maggi-Brand Extension Fiasco

In 1993, “Sweet Maggi”, the first variant of Maggi noodles was launched. The company supported the launch with an advertisement budget that totaled to 75% of the total yearly expenditure on the Maggi brand. However, the product failed to bring the desired sales volume and Nestle was forced to withdraw it.

In order to extend Maggi’s brand to include Indian foods the company went in for a tie up with Chordia foods to launch pickles in the year 1995 and the company also tied up with Chennai-based Indian foods fermentation (IFF) Company to market popular south Indian food preparation such as sambhar, dosa, vada and spices in consumer packs in the same year. In 1996, these two extended products received lukewarm response from the market and sales did not pick up in the regions in which they were launched. Adding to the company problems was the failure of Maggi Tonite’s Special, a range of cooking sauces offerings. Thus famous brand Maggi was also unsuccessful with certain brand extension decisions.

8.3 Difference between Brand Extension and Line Extension

Brand Extension is a marketing strategy according to which, a well known brand uses the same brand name to enter into a new product category. Brand extension is undertaken to leverage on the existing brand equity since building a brand is an expensive affair, it is advisable to leverage brand value of an existing brand by using the same brand name to other new categories as well. For example, Wipro Limited is an information technology (IT), consulting and outsourcing company also offering consumer care, lighting, healthcare and infrastructure engineering under the same brand name. Godrej, commenced its journey by manufacturing locks and today it has interests in real estate, FMCG, industrial engineering, appliances, furniture, security and agri care with the brand name Godrej.

On the other hand, line Extension (or product extension) is a marketing strategy according to which a company decides to use an established product's brand name for a new item in the same product category with the same brand name. Through line extension the scope of the product a brand represents is increased as it happens when a company introduces additional items in the same product category under the same brand name such as new packaging and sizes. In short, line extension adds variety to firm's existing product line for the sake of reaching a more diverse customer base and enticing existing customers with new options. When Velvette and Chik shampoo introduced sachet they did line extension. Line extension happens when the company deepens its product line beyond its current range. Examples include Zen LXI, Zen VXI and Surf, Surf Excel, Surf Excel Blue.

However, Brand Extension is perhaps one of most misunderstood concepts in marketing as it is often confused with what **Ries and Trout** have called *Line Extensions*. In last few years, most of the extensions that have taken place have been line extensions which include using the existing brand name to launch new forms, flavours, colours or variants of the existing products. Thus we have Maggi Atta noodles and multi grain noodles, Nycil Sandal and Nycil Lavender, Colgate Gel and Colgate Total. These are not brand extensions in the real sense, but line extensions.

Line extensions and brand extensions allow companies to promote and establish new products with reduced promotional expenditure because the new lines or brands benefit from being part of a well recognized name.

Other than Brand extension and line extension company has two other brand strategy (Brand Strategies has been discussed in forthcoming unit) choices namely multibrands (new brand names introduced in the same product category) and new brands (new brand name for a new category) which has been summarized as follows:

Product Category

	Existing	*New*
Existing	Line Extension	Brand Extension
Brand Name	Multi Brands	New Brands

Figure 8.2 – Four Brand Strategies

8.4 Brand Extension Decision – An Analysis

It has been researched that extensions result in strengthening the consumer's memory structure, which facilitates the speed with which brands are recalled in various buying situations where the retrieval of the brand is easier and results in quicker brand recall **(Morrin 1999).** Since 1964 J.K. Helene Curtis Ltd. a part of The Raymond Group has been in the Personal Grooming and Toiletries industry. The company has reputed consumer brands like Park Avenue and Premium. The Park Avenue range includes Fragrances, Body Care Solutions, Shaving Systems and Hair Care Solutions for the styling needs of today's man.

8.4.1 Types of Brand Extension

Brand extensions are of two types as highlighted in **Figure 8.3**:

(i) Extension into related categories

(ii) Extension into unrelated categories.

An example of the first type is Cinthol soap's launch into talcum powder, shower gel and deo spray. An example of the second category is the name Tata being used for Tata Steel, Tata Motors, Tata Consultancy Services (TCS), Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices and Tata Communications.

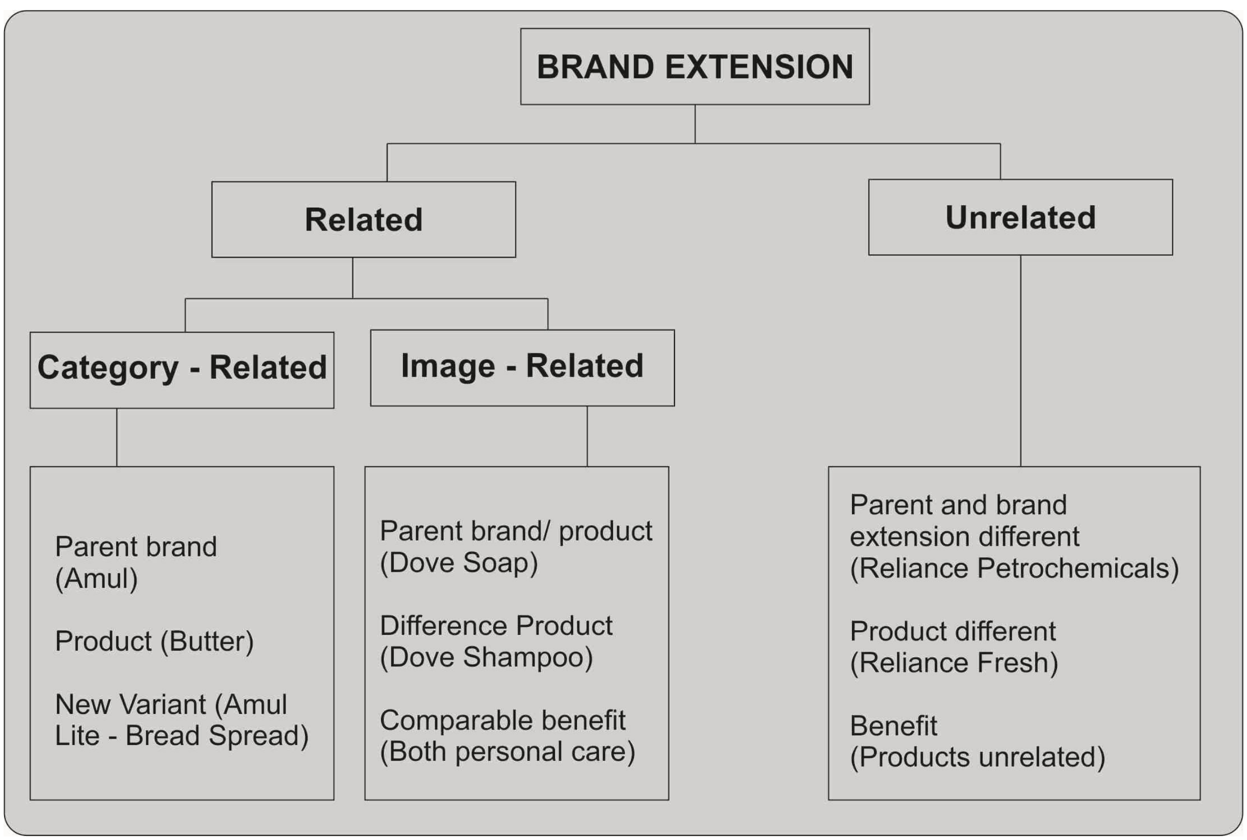

Figure: 8.3: Types of Brand Extensions

(i) **Related Extensions** : The company extends the brand in related product category which can be further categorized into:

(a) **Category-related extension:** The organization launches a brand similar in benefits and association to the parent brand. Amul has long been associated with butter and its use as a spread for bread. Keeping in line with this and the fact that Indian consumers are getting more health conscious, Amul introduced Amul Lite-a low fat, low calorie, and low cholesterol bread spread.

(b) **Image-related brand extension:** It happens when the company leverages its image to launch new products that are different. For example, personal grooming brand Dove being extended to shampoos, conditioners and lotions from soaps. Another example is that of Britannia which has the image of a biscuit company and it has used this image to launch breads, dairy products and cakes.

(ii) **Unrelated extension** The company launches a brand in a product category that is entirely new, like Reliance's venture into retail from petroleum, textile, etc. Another recent example of unrelated brand extension is the launch of Anchor toothpaste where brand Anchor is strongly know for electrical switches. On the face of it there is a major disconnect between the parent brand and extended brand but the brand did well in certain pockets of Gujarat and Rajasthan where the brand was well received because the company used a very clever strategy of positioning the brand as a vegetarian toothpaste.

According to YLR Moorthi the relationship between the parent and the three types of brand extensions are as follows:

- Brand & Category-Related------Products have same use, slightly different advantage/ benefit, same or different set of customers.
- Brand & Image-Related-------A relationship that extends the emotional benefits and image of the parent to the extension.
- Brand & Unrelated-------Almost no relationship exists except similar brand name.

8.4.2 Types of Products that Can Be Extended

Brand extension can be successfully applied to the following two types of products **(Pitta and Katsanis 1995).**

Products with function-oriented image If the product focus is on performance and functional utility because of product attributes, then such a product is called a function-oriented product. For example, Nokia mobile phones, where the focus is on the functional aspects, such as display screen, camera quality, talk time, battery backup, other features like alarm, internet, radio facility, etc.

Products with prestige-oriented image Products that are perceived on the basis of 'consumers' expression of their self-image' are called prestige-oriented products. For example, Louis Philippe, symbolizes elegance, class and status for the man and offers shirts, belts, shoes, wallets, etc.

8.4.3 Launching a Brand Extension

For brand extensions to be successful, they should evoke associations with the parent brand, which is both favourable and unique. **According to Tauber (1981), Aaker (1990), and Aaker (1991),** a category extension can be identified as a six-stage process as discussed below:

Stage 1 The organization identifies the brand to be extended from its portfolio of brands offering and in case, there is only one brand then that brand can be chosen. Companies choose from their variety of brands and highlight one or more brands based on their financial strength and capability of the organization. For example, Amul has always used its name to extend itself into other product categories while ITC has two brands in the hotel category by the name Fortune in the mid-priced range and Maurya brand in the five-star hotel category. The company takes strategic decisions from time to time to extend the Fortune brand or the Maurya brand.

Stage 2 The next stage encompasses identification of key associations for the brand. The associations can be many but the firm identifies the most promising set of five to fifteen strong associations for the brand. For brand extensions, associations that provide a competitive leverage in connecting with other categories are most helpful. For example, for brand Amul the key association would be 'high quality milk products available at reasonable prices'.

Stage 3 On the basis of each key association, alternative options for the business are highlighted at this stage. There is also feasible idea generation for possible related categories. So, for Amul, the key definitions would be butter, milk, curd, ice cream, etc. Amul means *"priceless"* in Sanskrit. Amul Butter, Amul Milk Powder, Amul Ghee, Amulspray, Amul Cheese, Amul Chocolates, Amul Shrikhand, Amul Ice cream, Nutramul, Amul Milk and Amulya have made Amul a leading food brand in India.

Stage 4 Identification of products related to each category. Thus, for the definition of cheese the key related categories can be processed cheese, cottage cheese, cheese spreads, mozzarella cheese, Gouda cheese, etc. For the definition of milk drinks, Amul has extended into flavoured milk, buttermilk, lassi, energy drink Nutramul, etc.

Stage 5 The candidate product that can be considered for extending out of the different products is identified and evaluated to see if it fits the extension and offers differential advantage. **According to Tauber**, for a successful launch, 'perceptual fit, competitive leverage, and benefit transfer' should exist. Thus, for Amul benefit transfer mean 'High quality milk products' while for, Himalaya Herbals, which has been extended into health care, oral care, hair care and baby care the perceived similar benefit is 'safe natural herbal remedies'.

Stage 6 The final stage is to launch the extended brand. While launching the brand extension, companies can decrease the risk of brand extension by not relating the brand name too closely with the new product. The brand name's role here is to endorse the new product and at the same time distance itself from the new product. This is particularly significant when companies go in for vertical brand extension, i.e., company extends to a low-quality/high quality product where it, becomes imperative for it to ensure that 'the original price/quality positioning is unaffected by the extension'. Thus, at the time of launch of Fiama Di Wills and Sunfeast, the focus was more on the brand names Fiama Di Wills and Sunfeast than on ITC, the parent company.

8.4.4 Critical Factors for Brand Extension Success

Mahindra & Mahindra enjoys a leadership position in utility vehicles, information technology, tractors, and vacation ownership along with a growing presence in the automotive industry, consulting services, defense, energy, financial services, logistics, real estate, retail, and two wheelers where the company has extended with the parent brand name Mahindra. The study of brand category extension underlines the fact that for successful brand extensions, companies should take into consideration the following determinants contributing towards brand extension success. **Figure 8.4** highlights the factors affecting the success of brand extensions which include:

Parent Brand Characteristics

- ***Perceived quality of the parent brand*** : The quality perceived for the parent brand by a consumer plays a vital role in the evaluation of brand extensions. It is, therefore, significant that customers hold high perception of the quality of the parent brand. Thus, investment in building a unique, favorable association for the parent brand leads to a positive customer disposition towards the parent brand and its brand extension **(Lahiri and Gupta).**

- ***Conviction :*** Confidence and positive attitude for the parent brand is an outcome of high parent brand knowledge, creation of strong brand associations on the basis of personal interaction and marketing activities of the firm, and enduring memories associated with the brand **(Volckner and Sattler).**

- ***Experience :*** Consumer's positive experience with the parent brand builds perception in the minds of the consumer for the brand which leads to conviction towards the parent brand and influences the consumer in developing favorable outlook towards the parent brand as well as the extended brand **(Volckner and Sattler).**

  Thus, quality of product, conviction and experience with parent brand play a significant part in building favorable predisposition towards the brand. Both conviction and experience are built over a period of time due to the interaction between the parent brand and the consumer. Therefore, while selecting a brand to extend from the company's portfolio, managers should give due importance to both these characteristics by choosing a brand that performs favorably in terms of attitude and experience.

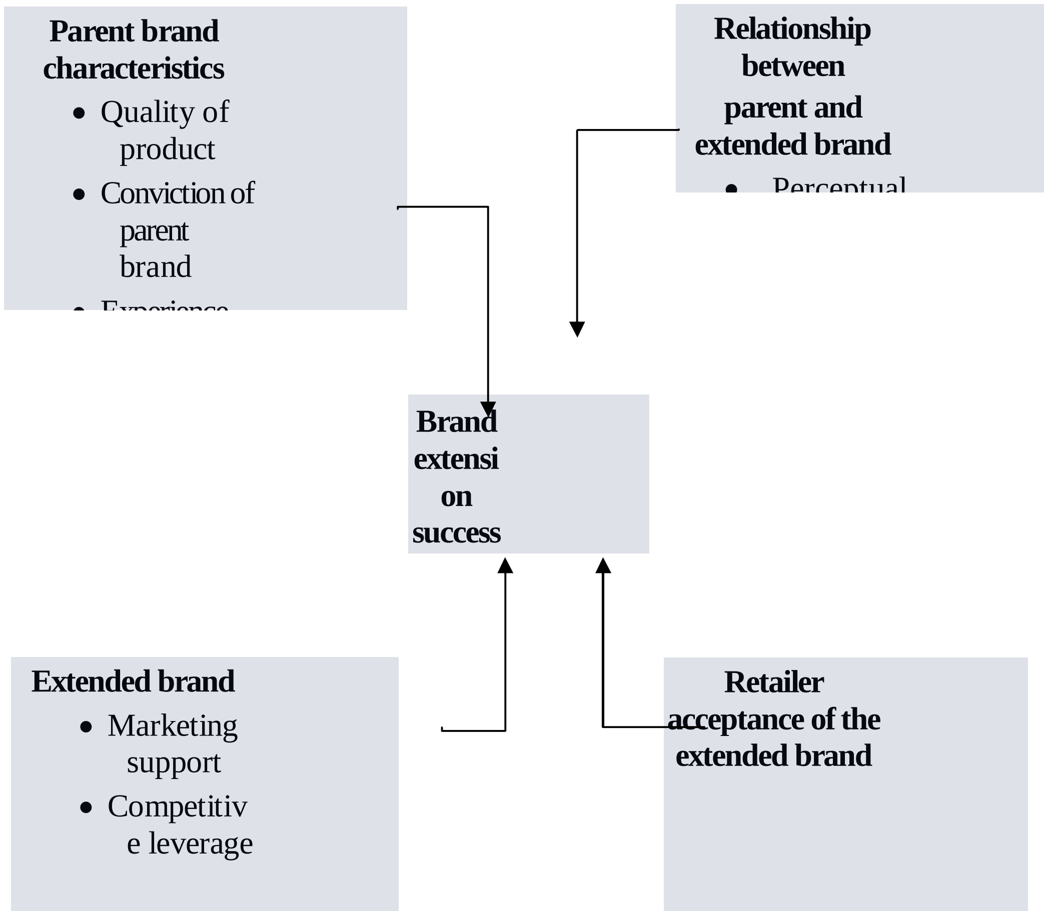

Figure 8.4: Factors affecting the success of brand extensions

Extended Brand

- ***Marketing support*** The marketing support provided to the extended brand in the form of integrated marketing communication and effective distribution increases awareness of the extended brand and raises consumer's perception for the same **(Volckner and Sattler 2006).**
- ***Competitive leverage*** The new product provides edge over competitors with distinctively different point-of-differentiation and point-of-parity from the competitor brands **(Tauber 1981).**

Relationship between Parent Brand and Extended Brand

- ***Perceptual fit*** Perceptual fit results from consumer perception when a consumer feels that the new product is consistent with the parent brand. This can be decided by asking the question, 'how likely are the consumers to accept alternative products from the same brand?' **(Tauber 1981).** For example, Colgate-Palmolive (India) Ltd company is engaged in oral care products under Colgate brand name which includes toothpastes, toothbrushes, toothpowder, whitening products and mouthwash. The personal care products manufactured by the company under Palmolive brand name include body wash, liquid hand wash, shave preps, skin care and hair care.

- ***Benefit transfer*** This relates to the benefit intended to be transferred from the parent brand in the category brand extension. To segregate this factor, consumers can be researched to study the advantage of the parent brand, which can then be associated with the extended brand **(Tauber 1981).**

Retailer Acceptance of the Extended Brand

- The retailer's acceptance of the extended brand is also a significant contributor in the extended brand's success. The retailers willing acceptance will lead to prominent display along with good shelf space for the brand. Also, an extended brand that manages to create a pull for itself by advertising to customers will be a favorite, among the retailers who intend to create a perception of varied assortment among the customers **(Volckner and Sattler).**

  Above are the controlled variables that companies can effectively manage for a successful brand extension. Besides these, there are other factors such as customer innovativeness, which impact brand extensions. It has been observed that more innovative customers evaluate extensions favorably. Such type of customers should be targeted by organizations for efficient brand extensions.

8.5 Principles of Good Brand Extension

Dr. Edward Tauber who originated the term “brand extension” has been researching and developing brand extensions for thirty-two years through his firm, **Brand Extension Research** which has identified ten principles that represent a Good brand extension. The following rules can guide many extensions to increase their probability of success:

1. Brands should not be extended unless they are well-known, have high awareness and a good reputation among the new target market.
2. Brand extensions must be a logical fit with consumers’ expectations.
3. Brand extensions must have leverage in the new category – a transfer to the new product of a distinctive property associated with the parent brand that gives the brand extension an edge in the new category.
4. Brand extensions that can create confusion or a negative image for the parent should not be undertaken.
5. Brands that consumers use synonymously with a category (generic) should not be extended to other categories.
6. Brands should not be stretched to too many diverse categories risking dilution in the long run.
7. Brand extensions that will not create positive synergy for the parent brand should not be pursued.
8. Brand extensions must make business sense.
9. Every brand extension should open a category for the firm. The whole point of brand extension is to efficiently and successfully enter a new category.
10. A critical part of every brand extension research study is developing a brand plan. Short and long term possibilities should be identified up-front.

8.6 Summary

Nowadays brand extension is on the rise and it happens when an organization uses an established brand name to introduce a new product. Brand extension results from the concentration of efforts on fewer brands. Consumers can differentiate them by observing whether the new product is introduced in an already existing product category being served by the parent brand (Line extension) or in an entirely different product category (Brand/Category Extension). New products are being utilized to fuel existing brands. For brand extensions to be successful they should possess "Fit" and "Leverage" where, Fit includes categories consumers will accept from a brand and Leverage represents distinctive properties a brand "owns" that provides a competitive advantage to the brand extension in the new category. Brand extension is of two types- Extension into related categories and Extension into unrelated categories. Extension offers many advantages but also pose many problems. Brand extension launch involves six stages from identifying the brand to be extended to finally launching the brand extension. Factors influencing brand extension success include parent brand characteristics, extended brand, relationship between parent brand and extended brand and retailer acceptance of the extended brand.

8.7 Self Assessment Questions

1. Critically evaluate the statement, 'Brand extensions are important growth strategies for a firm'.
2. Discuss the types of brand extensions with help of examples.
3. 'Titan Company is an Indian designer and manufacturer of watches, jewelry, precision engineering components and other accessories including sunglasses, wallets, bags and belts' Critically evaluate Titan's brand extension strategy.
4. Discuss the statement 'Brands should not be extended unless they are well-known, have high awareness and a good reputation among the new target market.'
5. Discuss principles of good brand extension.

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Unit - 9 Brand Positioning

Structure of Unit

1.0 Objectives

After completing this unit, you would be able to:

- Understand the meaning and concept of brand positioning;
- Know the bases for brand positioning;
- Understand brand positioning strategies;
- Understand how to choose and implement a positioning strategy;
- Learn a few criteria, guidelines and tips for making brand positioning effective;
- Understand a few positioning errors;
- Understand the concept of repositioning and de-positioning.

9.1 Introduction

Segmentation, Targeting, and Positioning (STP) form three pillars of modern marketing. Segmentation is an act of dividing the market into different but homogenous subsets called segments. Targeting is the process of choosing the most appropriate segment or subset of market. Positioning is creating right kind of image in the minds of consumers of target markets. Once potential markets have been identified, analysed and selected, business marketers must carve a position for their brands in the minds of prospective customers. Brand position is the way the brand is defined by customer on important attributes, or the place the brand occupies in customer's minds relative to competing brands. By positioning, we mean creating an image for the brand in the minds of the people to whom the company is attempting to sell its brand. Consumers are overloaded with information about many brands. They can't re-evaluate brands every time they make a buying decision. To simplify the buying process, consumers perceive about brands, services and companies in their mind. A brand's position is the complex set of perceptions, impressions and feelings that consumers hold for the brand compared with competing brands. Consumers may perceive about brand with or without the help of marketers. But marketers do not want to leave their brand positioning to chance. They must plan positioning that will give their brands the greatest advantage in target market. This unit is an attempt to throw light on brand positioning and positioning strategies.

9.2 Concept of Brand Positioning

A brand is a 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 competitors. *Positioning* is the process by which marketers try to create an image or identity of their brands in the minds of consumers.

The credit of introducing the concept goes to **Al Ries and Jack Trout**. According to them marketing is more a battle of perceptions than of products. Consumer's mind, therefore, is more important than the market place. It is better to be first in mind than to be first in the market place. From the point of view of consumers; brand positioning is nothing but consumers' perception of a brand or service as compared to its competitors. From the point of view of a company; brand positioning is how the company wants its potential buyers to see the brand. In common parlance brand positioning is, how potential buyers see the brand, and is expressed relative to the position of competitors.

Positioning is also the development of the image of a brand directly against the competitor brands and other brands produced by the company itself. It is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. The goal is to locate the brand in the minds of consumers to maximize the potential benefits. Positioning is not something you do to a brand. Positioning is something you do to the mind of potential customers.

Positioning is both distancing and closing in – to be far enough from the competing brands and close enough to the customer's mind. It is the concept of perceptual space. The consumer's mind is regarded as a geometric perceptual space with brands occupying different points in that space.

In this era of cut throat competition, brand positioning is important and essential for surviving in the market place. There are two important reasons – glut of brands in the market and decreasing brand loyalty. We can find plethora of brands in each industry, especially in consumer durable and non-durable products. It is difficult for the consumer to even remember the name of the products. Loyalty is also decreasing day by day, especially in low priced items. People frequently switch brands. In such a situation, only those brands that are distinctly positioned will retain their clientele and market share.

9.3 Brand Positioning Strategies

Marketers can follow several positioning strategies. They can position their brands on specific brand attributes – Hero Motors advertises its fuel efficiency, Maruti promotes performance. Brands can also be positioned on the needs they fill or the benefits they offer or according to usage occasions. Another approach is to position the brand for certain classes for users. A brand may also be positioned away from competitors - for many years, 7up has positioned itself as the "un-cola" the fresh and thirst quenching alternative to Coke and Pepsi.

A brand, however, can be positioned on two main platforms - the consumer and the competitor. When the positioning is on the basis of consumer, the campaigns and messages are always targeted to the consumer himself (the user of the brand). Nestle'

(Maggi) normally campaigns their brand concentrating on the consumer, the user of its brand. The other kind of positioning is on basis of competition. These campaigns are targeted towards competing with other players in the market. Coke and Pepsi brands are good example of this type of positioning strategy. A number of positioning strategies, however, are available to a marketer. Some of these positioning strategies are discussed below:

(i**) Positioning by brand attributes and benefits** - Associating a brand with an attribute, a brand feature etc. may help in its positive placement in the minds of customers. A common approach is, set the brand apart from competitors on the basis of the specific characteristics or benefits offered. Sometimes a brand may be positioned on more than one brand benefit. Marketers attempt to identify salient attributes; those that are important to consumers and may become the basis for making a purchase decision. Consider the example of Surf Excel that offers a specific benefit of cleaning even the dirtiest of clothes because of the micro cleaning system in the brand. Colgate offers benefits of preventing cavity and fresh breath. Head and Shoulders is associating itself with anti dandruff feature. Maruti Suzuki offers benefits of maximum fuel efficiency and reliability over its competitors. This strategy helped it to get more than 50% of the Indian car market. Clinic All Clear shampoo highlights ZPTO and Orient fans PSPO using this type of positioning strategy.

(ii**) Positioning by price/ quality** - Marketers often use price/ quality characteristics to position their brands. One way they do it is with ads that reflect the image of a high-quality brand where price, while not irrelevant, is considered secondary to the quality benefits derived from using the brand. Premium brands positioned at the high end of the market use high price for positioning. Another way to use price/ quality characteristics for positioning is to focus on the quality or value offered by the brand at a very competitive price. Although price is an important consideration, the brand quality must be comparable to, or even better than, competing brands for the positioning strategy to be effective. Tata Nano is positioned as India’s cheapest car. Throughout the world Mercedes Benz, BMW, Lamborghini etc. are using high price but high quality as strategy to position their cars.

(iii**) Positioning by use or application** - Another way to position a brand is to associate it with a specific use or application. Fevicol by Pidilite Industries uses this strategy and claim ‘Strong Bonding’ showing use of brand. Ambuja Cement in its ad claim ‘strength’ of its brands (The wall will not break as it is made up of Ambuja cement). Kingfisher always shows party settings and highlights that its beer is consumed for fun and frolic. Bacardi rum also highlights fun and frolic and beach parties.

(iv**) Positioning by brand class** – Sometimes a company’s positioning strategy entails associating its brands with, or dissociating it from, a brand class. Some firm promote their wares as being in a desirable class such as ‘Made in USA’ or ‘Low energy consumption’ or ‘Environment friendly’ etc. For example, John Miller shirts are promoted using slogan ‘Inspired by America’. Lee jeans use ‘Jeans that built America’. Often the competition for a particular brand comes from outside the brand class. For example, Juice manufacturers know that while they compete with other Juice manufacturers, cold drinks and drinking milk formulations are also viable alternatives.

The brand, therefore, may also be positioned against others that while not exactly the same, provide the same class of benefits.

(v) **Positioning by Brand User**: Positioning a brand by associating it with a particular user or group of users is yet another approach. This may be on the basis of demographic characteristics (age, gender etc.), body and health (mouth, hair, skin etc.) or lifestyle. Johnson & Johnson has adopted this strategy successfully by making itself a brand that mainly caters to needs of babies. Complan is for growing children; Clearasil for skin of women, Emami-men for the skin of men etc. are some other examples.

(vi) **Positioning by Competitor**: Competitors may be as important to positioning strategy as a firm's own brand or services. In today's market, an effective positioning strategy for a brand or brand may focus on specific competitors. This approach is similar to positioning by brand class, although in this case the competition is within the same brand category. To fend off rival makers of microprocessor, Intel Corp. launched a campaign to convince buyers that its product is superior to competitors. The company even paid computer makers to include the slogan 'Intel Inside' on their products.

(vii) **Positioning by Cultural and Other Symbols**: Another positioning strategy calls for use of cultural and other symbols. For examples, Air India used to have 'Maharaja' showing courtesy. Symbols may successfully differentiate brands from competitors. Vodafone is using zozo and 7 UP Fido-dido.

(viii) **Positioning by Association**: Sometimes the product is associated with a specific person, place, thing, situation or a perceived image. This type of positioning can be very effective if you don't have a distinct product difference. The use of image and emotional advertising can successfully help in implementing this kind of brand positioning. For example, Red & White cigarettes associate itself and promotes through Akshay Kumar who has a macho and adventure loving image. Thums up also uses Akshay Kumar precisely for this reason for its 'Taste the Thunder' campaign.Positioning by association is often used in political campaigns when a popular leader endorses a relatively unknown candidate. This type of positioning can be implemented with limited resources and a limited amount of time.

(ix) Positioning by Problem: This type of positioning is frequently used by non-profit, government departments, social sector and public utilities. In this, a problem is highlighted and brand image is created as solver of the problem. UNICEF, Cry, Helpage etc. are using this type of positioning successfully.

(x) Positioning by Reference Groups: The importance of reference groups in purchase decisions have been accepted as a tool for positioning products. Indian market, specially, has seen extensive use of sports personalities and film stars in advertisements of many brands. Lux by HUL has always used contemporary film heroines to endorse the brand.

Most market leaders and successful companies position a word in the buyer's mind. Most effective positioning words are sometimes also surprisingly simple. Here are a few examples:

Mercedes	*Engineering*	BMW	*Driving*
Volvo	*Safety*	Domino's	*Home delivery*
Federal Express	*Overnight*	Pepsi Cola	*Youth*

Many times, the leader's own words that stands for the category becomes the word in the buyer's mind. Examples include:

IBM	*Computer*	Bajaj	*Scooter*
Xerox	*Copier*	Godrej	*Store well*
Coke	*Cola*	Colgate	*Toothpaste*

9.4 Choosing a Positioning Strategy

Some firms find it easy to choose their positioning strategy. For example, a firm well known for quality in certain segments will go for this position in a new segment if there are enough buyers seeking quality. But in many cases, two or more firms will go after the same positioning. Then each will have to find other ways to set itself apart, such as promising "high quality for a lower cost" or "high quality with more technical services". Each firm must differentiate its offer by building a unique bundle of competitive advantages that appeal to a substantial group with-in the segment.

The positioning task consists of three steps -

(a) Identifying Possible Competitive Advantages: Consumers typically choose brands and services that give them the greatest value. Thus, the key to winning and keeping customers is to understand their needs and buying processes better than competitors do and to deliver more value. To the extent that company can position itself as providing superior value to selected target markets, either by offering lower prices than competitors do or by providing more benefits to justify higher prices, it gains competitive advantage. Solid positions, however, cannot be built on empty promises. If a company positions its brand as offering the best quality and service, it must then deliver the promised quality and service.

Thus, positioning begins with actually differentiating the company's marketing offer so it will give consumers more value than competitors offers do. In what specific ways can a company differentiate its offer from those of competitors? A company or market offer can be differentiated along the lines of brand attributes, services, channels and personnel.

(i) **Attribute Differentiation:** A company can differentiate its brand on various attributes. Brands can be differentiated on the basis of features, performance, styles and design etc. At one extreme, some companies offer highly standardized features that allow little variation. Other companies offer brand that can be highly differentiated, such as automobiles, commercial buildings, and furniture. Here the company faces an abundance of design parameters. It can offer a variety of standard or optional features not provided by competitors. Thus, Volvo provides new and better safety features; Delta Airlines offers wider seating and free in-flight telephone use. Companies also can differentiate their brands on performance. Whirlpool designs its dishwasher to run more quietly; Procter & Gamble formulates Liquid Tide to get clothes cleaner. Style and design also can be important differentiating factors. Thus, many car buyers pay a premium for Jaguar automobiles because of their extraordinary look.

(ii) **Service Differentiation:** In addition to differentiating its brand on attributes, the firm also can differentiate the services that accompany the brand. Some companies gain competitive advantage through speedy, convenient, or careful delivery. Domino, the pizza and fast food major, has built an impressive reputation for providing pizza at customer's doorsteps within 30 minutes of order. Installation also can differentiate one company from another. IBM, for example, is known for its quality installation service. It delivers all pieces of purchased equipment to the site at one time rather than sending individual components to sit and wait for others to arrive. Some companies differentiate their offers by providing customer training service. Thus, General Electric not only sells and installs expensive X-ray equipment in hospitals, but also trains the hospital employees who will use this equipment. Other companies offer free or paid consulting services-data, information systems, and advising services that buyers need.

(iii) **Personnel Differentiation:** Companies can gain a strong competitive advantage through hiring and training better people than their competitors do. Thus, Singapore Airlines enjoys an excellent reputation largely because of the grace of its flight attendants. McDonald's people are courteous, IBM people are professional and knowledgeable, and Disney people are friendly and upbeat. The sales forces of such companies set their companies apart from competitors. Personnel differentiation requires that a company select its customer-contain people carefully and train them well.

(iv) Channel Differentiation: Companies can achieve competitive advantage through the way they design their distribution channel's coverage, expertise, and performance. Caterpillar's success in the construction equipment industry is based partly on superior channel development. Its dealers are found in more locations and are typically better trained and perform more reliably.

Even when competing offers look the same, buyer may perceive a difference based on company or its image. Thus, companies work to establish images that differentiate them from competitors. A company or brand image should convey the brand's distinctive benefits and positioning. Developing a strong and distinctive image calls for creativity and hard work. A company cannot implant an image in the public's mind overnight using only a few advertisements.

Symbols can provide strong company or brand recognition. Companies design signs and logos that provide instant recognition. They associate themselves with objects or characters that symbolize quality or other attributes. The chosen symbols must be communicated through advertising that conveys the company or brand's personality. The ads attempt to establish a storyline, a mood, a performance level-something distinctive about the company or brand.

Marketers also define the appropriate points-of-difference and points-of parity associations. *Points-of-difference (PODs)* are attributes or benefits consumer strongly associates with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand. Strong, favourable and unique brand associations that make up PODs may be based on virtually any type of attribute or benefit. *Points-of-parity (POPs)*, on the other hand, are associations that are not necessarily unique to the brand but may in fact be shared with other brands. These types of associations come in two basic forms – category and competitive. Category points-of-parity are associations' consumers view as essential to be a legitimate and credible offering within a certain product or service category. Competitive points-of-parity are associations designed to negate competitors' points-of-difference. PODs and POPs must be relevance, distinctiveness, believability, feasibility, communicability, and sustainability.

(b) Mapping of Consumer Perceptions or Perceptual Mapping: Consumer' perceptions can be analysed using a perceptual map or mind map. Perceptual mapping exhibits the critical parameters or factors that influence consumer perceptions and guides consumers to differentiate among the competing brands. Various computer programmes are now available for mapping. Correspondence analysis is one of the commonly used modules for perceptual mapping. In this approach, a list of key attributes of the brand is prepared. Consumer responses to each brand in terms of these attributes are recorded. Brands and attributes are then linked with one to one correspondence and the perceptual map is generated through suitable computer software. Through perceptual mapping, a company is able to ascertain the position of its brand vis-à-vis other competing brands in terms of select marketable attributes. This would guide the company to decide the final positioning of its brand.

(c) Selecting the Right Competitive Advantages: Suppose a company is fortunate enough to discover several potential competitive advantages, finds empty space in consumer's perceptual map; it now must choose the attributes or characteristics on which it will build its positioning strategy. It must decide how many differences to promote and which ones.

(i) How Many Differences to Promote? Many marketers think that companies should aggressively promote only one benefit to the target market. Ad man Rose Reeves, for example, said a company should develop a *Unique Selling Proposition* (USP) for each brand and stick to it. Thus, Crest toothpaste constantly promotes its anti-cavity protection, and Volvo promotes safety. What are some of the "number one" positions to promote? The major ones are "best quality," "best service," "lower price," "best value," and "most advanced technology."

Other marketers think that companies should position themselves on more then one differentiating factor. This may be necessary if two or more firms are claiming to be best on the same attribute. Steelcase, an office furniture systems company, differentiates itself from competitors on two benefits: best on-time delivery and best installation support.

Today, in a time when the mass market is fragmenting into many small segments, companies are trying to broaden their positioning strategies to appeal to more segments. For example, Beecham promotes its Aqua fresh toothpaste as offering three benefits "anti-cavity protecting," "better breath," and "white teeth." Clearly, many people want all three benefits, and the challenge is to convince them that the brand delivers all three. Beecham's solution was to create toothpaste that squeezed out of the tube in three colors, thus visually confirming the three benefits.

(ii) Which Differences to Promote? Not all brand differences are meaningful or worthwhile. Not every difference makes a good differentiator. Each difference has the potential to create company costs as well as customer benefits. Therefore, the company must carefully select the ways in which it will distinguish itself from competitors. A difference is worth establishing to the extent that it satisfies the following criteria:

- *Important*: The difference delivers a highly valued benefit to target buyers.
- *Distinctive*: Competitors do not offer the difference, or the company can offer it in a more distinctive way.
- *Superior*: The difference is superior to other ways that customers might obtain the same benefit.
- *Communicable*: The difference is communicable and visible to buyers.
- *Preemptive*: Competitors cannot easily copy the difference.
- *Affordable*: Buyers can afford to pay for the difference.
- *Profitable*: The Company can introduce the difference profitably.

Choosing competitive advantage base on which a brand or service can be positioned is difficult. Some may be quickly ruled out because they are too slight, too costly to develop, or too inconsistent with the company's profile. Many companies have introduced differentiations that failed on one or more of these parameters but succeeded. Yet such choices may be crucial to success.

(d) Communicating and Delivering the Chosen Position: Once it has chosen a position, the company must take strong steps to deliver and communicate the desired position to target consumers. All the company's marketing-mix efforts must support the positioning strategy. Positioning the company calls for concrete action, not just talk. If the company decides to build position on better quality and service, it must first deliver that position. Designing the marketing mix - brand, price, place, and promotion - essentially involves working out the tactical details of the positioning strategy. Thus, a firm that seizes a "high quality position" knows that it must produce high-quality brands, charge a high price, distribute through high-quality dealers, and advertise in high quality media. It must hire and train more service people, find retailers who has a good reputation for service and develops sales and advertising messages that broadcast its superior service. This is the only way to build a consistent and believable high-quality, high-service position.

9.5 How to Make Brand Positioning Effective?

Positioning must match, or be commensurate with the brand. Brand and positioning mismatches do occur and that is why brand fails. Reverse is also true. If positioning is perfectly compatible with the brand and also the target customers, marketing of brand becomes highly successful. Discussed below are a few criteria, guidelines, essentials and tips that can make brand positioning effective:

9.5.1 Criteria for Successful Positioning: Given below are a few criteria that can make positioning successful:

- **Clarity**: The positioning idea must be clear in terms of both target market and differential advantage. The target market should be clearly demarcated and identifiable in terms of demographic, geographic or other parameters. The value proposition should also be very clear.
- **Consistency**: Confusion will arise if changes in positioning planks occur frequently. For example, if a company positions on quality of service in one year, and then next year it changes to superior product performance, the consumer may gat confused and would not know what to expect. Customers who were attracted by the previous positioning may desert the company.
- **Credibility**: The differential advantage must be credible to customers. Credibility consists of believability and trust worthiness. Positioning is a promise made to the customer. The customer must believe that the company will deliver what it promises, and is quite capable of delivering the promise.
- **Competitiveness**: The differential advantage should offer something of value to the customer which the competition is failing to supply.

9.5.2 Guidelines for Successful Positioning: Given below are a few criteria that can make positioning successful:

- **Unique Selling Proposition –** Identify, select, and promote something unique, that you have to offer. Not necessarily entirely unique. You can appear unique by simply packaging your brand or service in a unique way.
- **Risk Reversal** - Differentiate yourself with outrageously bold guarantees, that your competition don't have the guts for. Most people are genuinely honest, and if your service is what you say it is, you've got nothing to worry about. The increased sales volume will be well worth it.
- **Inordinate Value** - Leverage your advertising by offering to let complimentary businesses come along for the ride, in exchange for a free sample of their wares. Then bundle those into your offering. Cut the right deals, and your offer will appear irresistible, compared to your competition.
- **Clear, Complete, and Concise Customer Education** - Here's were most companies fall down, and you can stand head & shoulders above the crowd. Tell your full story. Don't make people try to figure out on their own why they should be doing business with you. Spell it out for them.

9.5.3 Tips for Successful Positioning: Given below are a few tips that can make positioning successful:

- Relate and link your positioning to your differentiation theme because differentiation is a prelude to positioning.
- Consider the customer value proposition. (If the customer value and your positioning does not match then there are chances of failure)

- Analyze your competitors' positions and identify the possible position for your brand
- Ensure that the positioning appeals to the target consumers.
- Monitor the positioning as the brand picks up. If there is any variance then go in for repositioning.
- Communicate effectively to the target market through proper channel to the target market the positioning you have chosen.

Companies must spend some time thinking deeply about these brand positioning criteria, guidelines and tips, and how they can use them to their advantage. The market shares are predicated on how well companies assimilate them, and apply them to the promotion of their business.

9.6 Positioning Errors

As companies increase the number of claims for their brands, they risk disbelief and a loss of clear positioning. In general, a company needs to avoid four major positioning errors:

- The first is *under-positioning* - failing to ever really position the company at all. Some companies discover that buyers have only a vague idea of the company or that they do not really know anything special about it. Brand, in fact, is seen as just another entry in market place and buyers don't see anything special in it.
- The second error is *over-positioning* - giving buyer too narrow a picture of the company or the brand. Thus, a consumer might think that the Hindustan National Glass company makes only glass bottles, when in fact it makes affordable fine glass tumblers also.
- Companies must avoid *confused positioning* - leaving buyers with a confused image of a company. This may happen if company makes too many claims or changes positioning too frequently.
- When buyers find it difficult to believe brand claims due to brand features/price. It is nothing but *doubtful positioning*.

9.7 Repositioning

Positioning of some brands may sometimes be done in a hurry without proper analysis, resulting in loss of sales or market share. Also because of ever changing marketing environment, a particular positioning may give the desired results for some time, but, may not prove effective any more due to changes in market parameters like consumer tastes and preferences, lifestyles, emergence of new or re-launched competition brands etc. In all such cases, repositioning or new positioning becomes necessary.

Re-positioning involves changing the identity of a brand, relative to the identity of competing brands, in the collective minds of the target market. *De-positioning* involves attempting to change the identity of competing brands, relative to the identity of your own brand, in the collective minds of the target market. Repositioning sometimes means just correcting a position, but more often, it means total realignment of the brand on the perceptual map because it is already displaced or is likely to be displaced from its unique position because of adverse market developments.

In volatile markets, it can be necessary - even urgent - to reposition an entire company, rather than just a brand line or brand. Take, for example, when Goldman Sachs and Morgan Stanley suddenly shifted from investment to commercial banks. The expectations of investors, employees, clients and regulators all needed to shift, and each company needed to influence how these perceptions change. Doing so involves repositioning the entire firms. This is especially true of small and medium-sized firms, many of which often lack strong brands for individual brand lines.

In a prolonged recession, business approaches that were effective during healthy economies often become ineffective and it becomes necessary to change a firm's positioning. Upscale restaurants, for example, which previously flourished on expense account dinners and corporate events, may for the first time need to stress value as a sale tool.

Repositioning a company involves more than a marketing challenge. It involves making hard decisions about how a market is shifting and how a firm's competitors will react and what the company should do. Often these decisions must not be made without sufficient information on vital factors and parameters.

9.8 Summary

Once potential markets have been identified, analysed and properly segmented, business marketers must carve a position for their brands in the minds of prospective customers. Brand positioning is the way the brand is defined by customer on important attributes, or the place the brand occupies in customer’s minds relative to competing brands. By positioning, we mean creating an image for your brand in the minds of the people to whom you are attempting to sell your brand. Firms use a variety of bases for positioning like attributes, price, quality, brand class, competitor etc. As companies increase the number of claims for their brands, they risk disbelief and a loss of clear positioning. In general, a company needs to avoid four major positioning errors namely under positioning, over positing, confuse positioning and doubtful positioning. Re-positioning involves changing the identity of a brand, relative to the identity of competing brands, in the collective minds of the target market. De-positioning involves attempting to change the identity of competing brands, relative to the identity of your own brand, in the collective minds of the target market. Repositioning sometimes means just correcting a position, but more often, it means total realignment of the brand on the perceptual map because it is already displaced or is likely to be displaced from its unique position because of adverse market developments.

9.9 Self Assessment Questions

1. What do you understand by brand positioning? Discuss this concept in Indian context.
2. Discuss some of the bases for brand positioning. Also discuss some of the Brand positioning strategies.
3. How will you choose and implement brand positioning strategies?
4. Discuss a few positioning errors citing suitable examples.
5. Recommend a few guidelines and practical tips to make brand positioning effective.
6. Explain the concept of repositioning. Why and how is it done?

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Unit - 10 Brand Awareness

Structure of Unit

10.0 Objectives

After completing this unit, you would be able to:

- understand the concept of brand, its values and attributes.
- comprehend the term brand awareness, its importance and the various factors influencing it.
- successfully identify the various types of brands.
- build a successful brand awareness plan to ensure the success of the brand.
- understand the various channels of brand awareness.
- make note of and understand various pointers to begin with and maintain the brand awareness campaign.
- understand the customer's decision making process.
- appreciate the various challenges that a company might face in the course of brand awareness.

10.1 Introduction

As we have already studied a brand is an emotional and physiological relationship a firm has with a customer, strong brands elicits thoughts, emotion and sometimes-physiological responses from a customer. A brand is a source of a promise to its customers. It promises relevant differentiated benefits. It does so not only to place itself into the purchase consideration set, but even more importantly, to be the brand chosen from that purchase consideration set. According to **Lynn B Upshaw** it is also sometimes referred to as the brand's unique value proposition. Whether it is called a unique value proposition or a promise of relevant differentiated benefits, it is very important that the promise or proposition be delivered consistently at each point of customer contact, time after time.

Brand is the "name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers." Initially, branding was adopted to diferentiate one person's cattle from another's by means of a distinctive symbol burned into the animal's skin with a hot iron stamp and was subsequently used in business, marketing, and advertising. A modern example of a brand is Coca Cola which belongs to the Coca-Cola Company.

Internal Branding is the process that guides a company to implement the brand promise to reality, this process involve planning and action at all organizational level in the company, it is a process that start with awareness of the brand and ends at changing employees behavior, it engages employees with the brand value, internal branding is describe as the inside-out approach by communicating to employees the brand value, aligning employees with the brand promise, then employees will deliver consistent message to customers and the message is projected to the market, this inside-out approach result in a stronger brand and better brand-customer relationship. (Bjerke & In.) A company has to communicate the brand to its employees first, let the employees know what the brand value and image the company wants to present to the public, what strategies need to be put in place to achieve these goals, who is in charge to communicate this message to the employees from top to bottom and how to engage employees to better communicate this ideas, brand to the customers.

External Branding signifies how the company wants their brand to be perceived externally, which most companies prefer their brands to be perceived as professional, knowledgeable and responsive to the needs and ones of the customers. According to **Gelder** Every new customer can be perceived as a new opportunity and also as a new challenge to the company to put his or her brand in to practices. External branding is research directed to find out how customers perceive the brand and how they feel about the brand.

10.2 Concept of Brand Awareness

Brand awareness is the extent to which a brand is recognized by potential customers, and is correctly associated with a particular product. Expressed usually as a percentage of target market, brand awareness is the primary goal of advertising in the early months or years of a product's introduction.

Brand awareness is the extent to which the consumer associates the brand with the product that they wish to purchase. It is the brand recall and the brand recognition of the company to the consumers. Brand recall is the ability of the consumer to recollect the brand with reference to the product whereas brand recognition is the potential of the consumer to retrieve the past knowledge of the brand when enquired about the brand or shown an image of the brand logo. Brand awareness is an essential part of brand development which helps the brand to stand out from the others in this monopolistically competitive market.

A brand name that is well known to the great majority of households is also called a **household name.**

The ultimate goal of most businesses is to increase sales and income. Ideally, you want to attract new customers to your products and encourage repeat purchases. Brand awareness refers to how aware customers and potential customers are of your business and its products. Within a week after its introduction, surveys found that more than 90% of US consumers had heard about the iPhone as a result of advertising and news reports. This is exceptionally high brand awareness. Ultimately, achieving successful brand awareness means that your brand is well known and is easily recognizable. Brand awareness is crucial to differentiating your product from other similar products and competitors.

Brand awareness consists of both brand recognition and brand recall performance. Brand recognition is the capability of a customer recognizing a brand as one, which he or she has already been exposed to, while brand recall is the ability of a customer to retrieve the brand when they think of the product category.

Product promoting via brand awareness is one of the easiest and most effective ways to promote commodity related products due to the fact that they have relatively fewer differentiations, which makes it more competitive. Consumers turn to make decision quickly about a product if they know or recognize the brand. The more customers can recognize, retain and remember a firms brand the likeliness that they will shop it becomes greater than shopping elsewhere. This is an advantage against competitors as customers overlook at the price and other quality when they trust and know a brand. According to Keller it becomes a part of the customers' life style to shop where they are used to and have confidence in the brand.

Brand awareness is the probability that consumers recognize the existence and availability of a company's product or services, creating this awareness by a company are one of the key steps to promote the company's goods and services.

10.2.1 Importance

Brand Awareness can play a major role in purchase decisions. The reality is, the more aware the consumers are of the product and brand, and the more likely they are to buy it.

"**Awareness, Attitudes, and Usage (AAU)** metrics relate closely to what has been called the Hierarchy of Effects, an assumption that customers progress through sequential stages from lack of awareness, through initial purchase of a product, to brand loyalty." In total, these AAU metrics allow companies to track trends in customer knowledge and attitudes.

Brand awareness plays a major role in a consumer's buying decision process. The knowledge of an acquaintance or friend having used the product in the past or a high recognition of the product through constant advertisements and associations coaxes the person to make his decision in the favour of the brand.

The eventual goal of most businesses is to make profits and increase sales. Businesses intend to increase their consumer pool and encourage repeat purchases. Apple is a brilliant example of it as there is a very high recognition of the brand logo and high anticipation of a new product being released by the company. An iPod is the first thing that pops into our minds when we think of purchasing an Mp3 player. iPod is used as a replaceable noun (generic name) to describe an Mp3 player. Finally, high brand awareness about a product suggests that the brand is easily recognizable and accepted by the market in a way that the brand is differentiated from similar products and other competitors. Brand building also helps in improving brand loyalty.

The importance of brand awareness can be enumerated as under:

- **First Step**: Creating brand awareness is usually the first step in building advertising objectives. Before company can create a favorable impression or motivate customers to buy, they have to make customers aware of their brand and its meaning. Marketing messages delivered through various media are often used to communicate the brand name and important messages tied to its products. Making people aware that the brand exist helps to drive traffic to the business and create a buzz in the market.
- **Top of Mind**: The highest level of brand awareness is top of mind awareness. This is when customers think of a brand first when they need to make a purchase within any product category. Company can build top of mind awareness through repeated exposure and consistent delivery of a good product or service over time. This is a huge advantage in the market when customers enter a buying situation and its brand immediately comes to mind first.
- **Build Equity**: Equity is the value of the brand beyond physical assets like buildings and equipment. To develop strong brand equity the firm needs to develop a high level of brand awareness. More the people are aware of the company's brand, stronger is the reputation, the greater is the profit potential as well as overall brand value. Word of mouth in the market plays a strong role in helping the brand grow its customer base and develop loyal relationships with top customers.
- **Digital Impact**: The importance of brand awareness has become increasingly significant with the evolution of the Internet and digital technology. The public is more equipped with mobile and social media tools that can communicate quickly about the brand -- good or bad. This means that establishing a strong reputation for good products or services, integrity in the business practices and community involvement are even more critical to long-term success.

10.2.2 Factors Influencing Brand Awareness

When choosing between competing brands a thorough evaluation, particularly for brands new to the market takes place often with an agreed list of attributes. Awareness is measured according to the different ways in which consumers remember a brand, ranging from recognition to recall to top of the mind. Some of the major factors affecting brand awareness are:

- **Brand Name:** One of the most important factors affecting brand awareness is the brand name. Brand name plays an important part in creating awareness for a brand. Whether the name is really very meaningful or completely baseless - they both affect brand awareness. Eg.- Bacardi Breezers – flavoured aerated vodka based drink, HP Lal Ghoda diesel engine oil, Centre Shock chewing gum.
- **Advertising**: Advertising also helps to create Brand awareness in a big way. Consider any brand name Fevicol, Vicks or Pepsi, all have used advertisements for creating awareness among their consumers.

- **Celebrity:** Another important factor affecting Brand awareness is the celebrities endorsing the Brand. Whenever people see a celebrity endorsing a brand they like it and this tends to propagate the Brand. Coca Cola experienced a tremendous increase in brand following post ad campaigns with Hrithik Roshan and "*Kaho Na Pyaar Hai*".
- **Parent Company:** To a large extent the parent company helps in promoting a brand. The parent company in many cases is so popular that its brand automatically become popular and people become aware about the product. TATA always promotes it brand with its name along with the brand such as TATA INDICA, TATA INDIGO, and TATA SALT.
- **Sales Promotions and Offers:** It also helps in making the consumers aware of the brand. Some of the sales promotion activities that companies carry out help them in a big way to make their target aware of the brand. BAJAJ Chetak promotional campaign of 1999.
- **1st Mover Advantage:** Usually the company that enters a product category first has good awareness about its brand. Usually people tend to remember the first player to enter the market. Eg. - Parle products like "BISLERI" in the packaged water segment.
- **Public Relations:** The coverage that the fourth estate and magazines provide a brand also helps in building awareness about a brand. The popularity of local restaurants such as *Olive* and *Athena* has been boosted by the Page 3 mentions in Bombay Times.

10.3 Brand Awareness Plan

The major components of a plan to develop brand awareness are:

1. **Identify Goal(s):** Identifying goals is always a good starting point.The goals can be:
    - to increase the brand loyalty of your existing customers.
    - to have more of your target audience engage with your brand.
    - any more positive affiliation with the products

Goals should be identified as clearly and specifically as possible. From that point on, every action the company takes, every advertisement created, and every penny spent should aim toward achieving the predefined goal(s).

2. **Define Metrics:** Next, define the main metrics to focus on for the brand awareness campaign. Generally, those are:
    - **Impressions:** How many searchers actually saw the advertisement?
    - **Reach:** The number of searchers exposed to the advertisement.
    - **Frequency:** The number of times they saw the advertisement.
    - **Interactions:** What searchers did with the ad, including things like clicks or conversions?

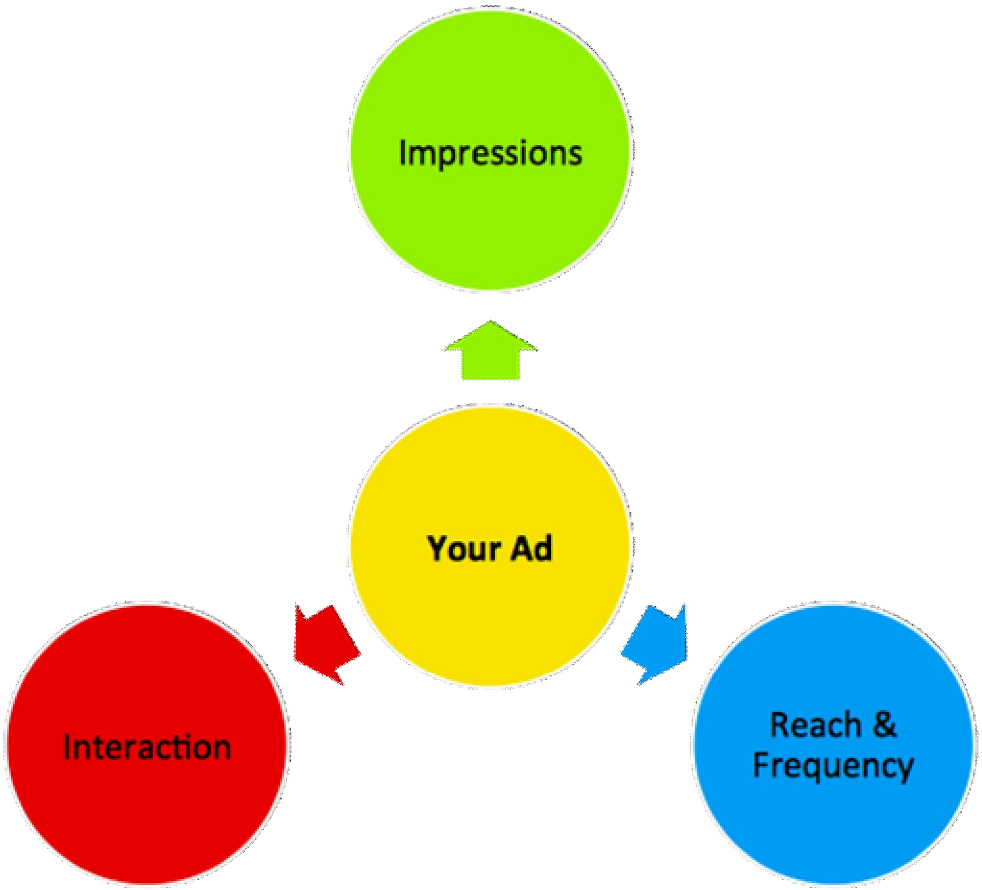

Figure 10.1 – Defining Brand Awareness Metrics

3. **Find Target Audience**: Along with different techniques of targeting discussed earlier in the course Marketing Management, placement targeting on the Google Display Network can be very powerful, that allows the company to reach the target audience all across the web. Tools like AdWords Placement or the Google Ad Planner allow it to expand its reach to sites where it is most likely to reach target audience based on topics of interest, as well as demographic segmentation.

4. **Budget for Success**: An appropriate budget should be set to get maximum exposure and promote the products that may generate brand awareness in a cost effective manner.

10.4 Channels of Brand Awareness

Brand awareness is a part-and-parcel of brand development which helps the brand to be differentiated from the others in this monopolistically competitive market. This increases the brand's probability of sale. There are many ways to generate brand awareness in the consumers. Listed below are four such channels:

Advertisement: Advertisements through various media are the most common form adopted by the companies for generating brand awareness among the consumers. Ads of these types are aired through TV, internets, newspapers, billboards and many more.

Product Placement: Product placement strategy is becoming more and more popular among the marketers. According to this strategy, the concerned brand is promoted in a positive way through a popular film, TV serial, books, music videos and many more. Eg. actor is shown wearing ‘Puma’ T-shirt or consuming ‘Pepsi’ in the movie

Guerrilla Marketing: It is an off-beat way of marketing where low-cost channels are utilized to generate awareness of the product among the consumers. Utilization of personal contacts in this end is the most popular method of guerrilla marketing. Guerrilla Marketing tactics allow every small firm to compete with bigger firms by carving out narrow but profitable niches. These tactics include:

- Extreme specialization,
- Aiming every effort at favourably impressing the customers,
- Providing service that goes beyond the customers' expectations,
- Fast response time,
- Quick turnaround of jobs, and
- Working hours that match the customer's requirements.

The term 'Guerrilla Marketing' is a registered trademark of author **Jay Levinson** who popularized it through his several 'Guerrilla' books.
Social Media**:** Many companies are using the social media tools like Blogs and You-Tube for promoting their products which is generating brand awareness in a cost effective manner.

10.5 Creating Brand Awareness

Brand awareness helps to create the initial impression of the brand that is of utmost importance. In deciding how to go about creating brand awareness, the firm needs to consider and to be aware of how the product value becomes known to the consumer and the importance of consistency:

1) The message of what a brand is offering to the consumer should be consistent. A 5- star restaurant, for example, offers fresh, high-quality foods for purchase and advertises the advantages, such as top-quality butler service, that their goods can provide to the customers. The layout of their perishable goods, the organization of complementary condiments and staple products, and the stands offering sample recipes to be cooked at home are all evidence of the company attempting to present a consistent message of what they are all about to the consumer.
2) Images the firm presents should also be consistent in order to increase brand awareness. It is important that there is consistency in use of images in order to maximize recognition and positive impressions of brand. McDonald’s logo, for example, can be found on its storefront, on the products wrappings, on the receipt consumers receive after purchase, on the bags customers carry out of the store, and in many of its distributed informational material.
3) Slogans and taglines should also be consistent throughout mediums and material. Once again, consistency is important in conveying a message that promotes

awareness of brand in an organized, recognizable manner. KFC's tagline, "It's So Good", is consistent throughout its promotional materials, website, and logo, to name a few.

4) Consistency cannot be emphasized enough. It presents the consumer with an image that in the future the consumer can continue to associate with firm's products. For example, if the promotional material distributed, the set-up of sales table, the packaging of the product, and the logo and tagline are not all relatively similar, regularly consistent, and repeatedly recognizable over time, it is likely that the firm will get nowhere with the brand. Creating brand awareness, through a collaborative, well-developed overall image, is essential to develop a successful brand that achieves maximum benefits.

10.5.1 Maintaining Brand Awareness

It is important to keep working at the issues and activities identified above. The firm should monitor how customers are responding to products, packaging, displays, and messages. It should look for ways to improve the image it is trying to get across. Customers may be askedfor suggestions. A consistent presence in the market place should be maintained at locations and regular times where customers can reliably expect the brand to be present.Few suggestions to help maintain brand awareness are as follows:

- Customer Presence: This is obvious and the key is to know where the customers hang out and what they do. There are often certain places online and offline where customers work out, visit for networking events.

- Consistent Presence: It is far better to have an active presence in a few places than guest appearances in many places at different times.

- Regular Activity: The presence should be maintained as a regular activity. This relates to regular advertising, sending out newsletters, e-mails or doing blog posts or other promotional activities.

- Marketing Strategies and Tactics: Marketing strategies tactics should be designed to support a customer retention strategy.

10.5.2 Purchasing Decision Process

Understanding the decision-making process helps to better understand the need to structure the brand awareness process. What makes customer buy the product? Do they decide, upon an impulse, to purchase any product? Do they need several hours to mull over the possibility of making the purchase? To what extent do product type, price, and environment affect the purchasing decision? Marketing specialists recognize five stages to a purchasing decision.

- The first stage in making a purchase decision is to perceive a need. The range, complexity, and severity vary in regard to this need. It could range, for example, from a need to purchase a gift for a friend's birthday to a need to eat something sweet to a need to drink something refreshing. It is easy to see how different containers would appeal to someone thinking about a gift vs. buying syrup for personal use. Messages or promotional material with the product display about possible uses can prompt a need-based decision.
- The second stage in making purchasing decisions is to seek information. This may simply include reading an ingredient list to an internet search or an inquiring call. Providing information about the products and their value creates brand awareness and may end up in sale.
- The third stage is where the potential customer evaluates alternatives (brand or product). This, obviously, is the stage in which the firm's product is compared to those of competitors. It may also include other products that the firm is offering or other products they remember from the past. Essentially the potential buyer is assesses the qualities of the product that might make it worth the purchase. In case of premium price range then type of products, packaging, display, and product messages must be consistent with the price.
- The fourth stage involves an assessment of the buying value. Customer evaluates - Is the product worth the price? Do the values it possesses make it a worthwhile purchase? This is the culmination of the previous stages and results in a decision to either buy or pass up on an offer.
- The fifth and final stage involves an assessment of the purchase decision. This can occur a day, a month, or a year or more after the sale. Essentially, the customer is either reaffirming or doubting their purchasing decision. For example, seeing other people enjoying the product reaffirms their decision or makes them wish they had bought more. Testimonials from satisfied customers may help to shape these after-purchase expectations. Or perhaps they discover an off-taste for the product, in which case it may be more likely that the person would doubt that they made the correct decision in making the purchase.

Understanding that the stages of a purchasing decision vary both in time and whether the stages really are distinct, one can better assess where they might be able to have an influence on someone's decision to purchase. For example, it may help to offer the consumers more information or to tell them about all the other existing consumers that have been really impressed with firm's product.

10.6 Challenges to Brand Awareness

Maintaining Brand Awareness is a very important aspect in marketing a company. It is imperative and very helpful to analyze the response of the audience towards the change in packaging, advertising, products and messages sent across through various means. Working towards creating an image in the minds of the consumers is not the last thing a company should aim to do. Inviting consumer feedback and maintaining a constant presence in the market is equally essential. Availability of the product to the consumer is one such way of doing this. The consumer should not have to come looking for the product when he is in need of making a second purchase of the product, dealerships and outlets at convenient places should make the consumer think of the brand as the most convenient and best solution to her/his need.

10.7 Summary

In recent times consumers choose their favorable and familiar brands due to the rise in their consciousness.Brand awareness is the extent to which a brand is recognized by potential customers, and is correctly associated with a particular product. A brand is very important from the point of view of first step, top of mind, build equity and digital impact. The major factors influencing a brand are brand name, advertising, celebrity, parent company, sales promotions and offers, 1st mover advantage and public relations. A brand awareness plan consists of 5 steps starting with identifying your goals for the brand awareness strategy and then going step by step to achieve a successful branding. The four channels of brand awareness are advertisement, product placement, guerrilla marketing and social media. The important aspect is to understand how to create brand awareness, maintain it, and understand the purchasing decisions of the customer.

10.8 Self Assessment Questions

Q1. What do you understand by brand? Also differentiate between Internal and external branding.

Q2. Suppose you have to create a brand image for your company. Being the Marketing manager, explain in detail the values and attributes you will look for while creating a good brand.

Q3. What do you mean by brand awareness? Discuss in detail the importance of brand awareness.

Q4. Every strategy requires a step-by-step plan. Explain the five step process for developing a successful brand awareness plan.

Q5. Explain, with example, the various channels available for spreading brand awareness. Which one of them will be suitable for a fast food restaurant?

Q6. Explain in detail the purchasing decision process of a typical customer.

Q7. Discuss, with suitable examples, some of the challenges that the firm might face while creating and maintaining its brand’s awareness.

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Unit - 11 Brand Equity

Structure of Unit

11.0 Objectives

After completing this unit, you would be able to:

- Understand the concept of brand equity;
- Know various benefits of brand equity;
- Learn various drivers of brand equity;
- Understand how brand equity is built and managed;
- Know how to measure brand equity;
- Understand various methods of determining brand equity.

11.1 Introduction

Of late, the concept of Brand Equity has become very popular due to the belief that brands are one of the most valuable assets that a company has and brand equity is one of the most important aspects which reflects financial value of a brand. Actually brand is not merely a tag. It is financial asset of the company and generates cash flows. To firms, brands, now represent enormously valuable pieces of legal property that can influence consumer behaviour, be bought and sold, and provide the security of sustained future revenues to their owner.

Brand equity is this added value endowed to products and services. This value may be reflected in how consumers think, feel, and act with respect to the brand, as well as the prices, market share and profitability that the brand commands for the firm. It is an important intangible asset that has psychological and financial value. Brand equity highlights customer loyalty. It also helps in taking brand and line extension decisions. It may also create entry barriers for competitors, as competitors' stay away if an industry or a company has well established brands. This unit throws light on the topic of brand equity.

11.2 Concept of Brand Equity

Brand can add significant value when it is well recognized and has positive associations in the mind of the consumer. This calls for the concept of Brand Equity. According to

Biel (1992), “Brand equity can be thought of as the additional cash flow achieved by associating a brand with the underlying product or service.” **Keller (1993)** defines brand equity in terms of marketing effects uniquely attributable to the brands.

Brand Equity refers to the marketing and financial outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name. It may be defined as the sum of all distinguishing qualities of a brand, drawn from all relevant stakeholders, that results in personal commitment to and demand for the brand; these differentiating thoughts and feelings make the brand valued and valuable. Brand equity, therefore, is defined as a term used in reference to the value of a well-known brand.

Brand equity can greatly affect the buyout price of a company. **David Aaker (1991)** has defined ‘brand equity’ as “a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers.”

There are *two* schools of thought regarding the existence of negative brand equity. One perspective states that brand equity cannot be negative; hypothesizing only *positive brand equity* is created by marketing activities such as advertising, public relations, and promotion. A second perspective is that *negative equity* can exist, due to catastrophic events to the brand, such as a wide product recall or continued negative press attention. Colloquially, the term ‘negative brand equity’ may be used to describe a product or service where a brand has a negligible effect on a product level when compared to a no-name or private label product. Actually, a brand is said to have positive brand equity when consumers react more favourably to a brand and negative brand equity if consumers react less favourably to marketing activities for the brand.

It has been seen that greater a company’s brand equity, the greater the probability that the company will use a family branding strategy rather than an individual branding strategy. This is because family branding allows them to leverage the equity accumulated in the core brand.

Mainly, brand equity can be understood in terms of:

- The price premium that the brand charges in comparison to unbranded products.
- The additional volume of sales generated by the brand as compared to other brands in the same category and/or segment.
- From the share prices that the company commands at stock exchanges.
- Returns to shareholders.
- Image, bonding and loyalty of brand.
- Licensing fee that may be commanded by the brand.
- Sale proceeds if brand is sold to other company.
- Total expenditure incurred in developing and managing the brand.
- Money required to replace the brand.
- Future earning potential of the brand.

11.3 Benefits of Brand Equity

Brand equity is an intangible asset that depends on associations made by the consumer. Strong brand equity increases cash flow by increasing market share, reducing promotional costs, and allowing premium pricing. Brand equity is also an asset that can be encashed if the brand is sold or leased. We can, however, identify three major benefits as discussed below:

- **Financial** - Brand equity is the price premium that a brand commands over a generic product. For example, if consumers are willing to pay more for a branded product over the same unbranded product, this premium due to brand equity is benefit for the company.
- **Brand extensions** - A successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer. Furthermore, appropriate brand extensions can enhance the core brand. However, the value of brand extensions is more difficult to quantify than are direct financial measures of brand equity.
- **Consumer-based** - A strong brand increases the consumer's attitude strength toward the product associated with the brand. Attitude strength is built by experience with a product. The consumer's awareness and associations also is increased and lead to perceived quality, inferred attributes, and eventually, brand loyalty.

Brand equity may ultimately manifest itself in several ways. Three of the most important ways are as the price premium to consumers or the trade that the brand commands, the long-term loyalty the brand evokes, and the market share gains it results in. other benefits include improved perceptions of product performance; less vulnerability to competitive marketing actions; less vulnerability to marketing crisis; greater trade co-operation and support; and possible licensing opportunities etc. However, brand equity is not always positive in value. Some brands acquire a bad reputation that results in negative brand equity. Negative brand equity can be measured by surveys in which consumers indicate that a discount is needed to purchase the brand over a generic product.

11.4 Drivers of Brand Equity

There are many drivers of brand equity. These include:

- **Brand Awareness**: - The simplest form of brand equity is familiarity. A familiar brand gives the customer a feeling of confidence, and hence it is more likely to be both considered and chosen. There is also convincing evidence that, on average, customer prefer brand with which they are familiar. Finally, choosing a known brand gives the customer justification for the decision, an explanation for his or her actions.
- **Brand Loyalty**: The strongest measure of brand's value is the loyalty. Brand loyalty reflects repeat purchase by the customer. More the loyalty better it is for the company.

- **Brand Association**: More subjective and emotional associations are also the important part of brand value. These include personal associations. Associations can also be attribute or category specific. For example, Gillette makes fine-quality razors. Apple produces user friendly products, and Samsonite products last forever.
- **Brand Image**: If the brand has good image in customer's mind, it can result in enhanced brand equity. A negative brand image may not trigger added value to a brand. Good brand image drives brand equity. Advertising, publicity, sales promotion can be used to build brand image.
- **Brand Preference**: When customers prefer a particular brand over others it adds value to the brand. Normally, a known brand often conveys an aura of quality.

11.5 Building Brand Equity

Peter H. Farquhar has outlined the following three stages that are required in order to build a strong brand:

(i) **Introduction** - Introduce a quality product with the strategy of using the brand as a platform from which to launch future products.

(ii) **Elaboration** - Make the brand easy to remember and develop repeat usage. There should be accessible brand attitude, that is, the consumer should easily remember his or her positive evaluation of the brand.

(iii) **Fortification** - The brand should carry a consistent image over time to reinforce its place in the consumer's mind and develop a special relationship with the consumer. Brand extensions can further fortify the brand.

In order to build brand equity, we have to understand and develop the following:

- **Brand Awareness** - First, consumers must be aware that there are different brands in the product categories in which company's brand operates. Next, they must be aware of the brand. Ideally, the company's brand should be the first one that comes to their minds within specific product categories and associated with key consumer benefits. Consumers should be able to identify which products and services the brand offers. They should also be able to identify which benefits are associated with the brand. Finally, they should have some idea of where this brand is sold.
- **Accessibility –** The brand must be available where consumers shop. It's much easier for consumers to insist upon the brand if it is widely available. Slight brand preference goes a long way toward insistence when the brand is widely available. The importance of convenience cannot be underestimated in today's world.
- **Value** - Does the brand deliver a good value for the price? Do consumers believe it is worth the price? Regardless of whether it is expensive or inexpensive, high end or low end, it must deliver at least a good value.
- **Relevant Differentiation -** This is the most important thing a brand can deliver. Relevant differentiation today is a leading-edge indicator of profitability

and market share tomorrow. Does the brand own consumer-relevant, consumer-compelling benefits that are unique and believable?

- **Emotional Connection** - First, the consumer must know the brand. Then he or she must like the brand. Finally, the consumer must develop trust in the brand and feel an emotional connection to it. There are many innovative ways to achieve this emotional connection--from advertising and the quality of front line consumer contact to consumer membership organizations and company-sponsored consumer events.

In order to build brand equity, brand elements are chosen first. These brand elements must be memorable, meaningful, likeable, transferable, adaptable and protectible. These brand elements are then developed using proper marketing communication strategies. Out of all promotion mix tools, advertising is the best tool for brand building. Integrated marketing communication approach, however, is recommended in building brand awareness, image, preference, bonding and loyalty. Decisive promotional strategies, over the year, help in managing brands effectively and enhance brand equity. *Brand reinforcement* and *brand revitalization* are also needed to manage brands over the years. Brand reinforcement is needed to insure that brand value does not depreciate with the passage of time. Brand revitalization is required to keep brand updated taking into account the changes in consumer tastes and preferences, emergence of new competitors or new technology etc.

The marketing mix should focus on building and protecting brand equity. For example, if the brand is positioned as a premium product, the product quality should be consistent with what consumers expect of the brand, low sale prices should not be used to compete, the distribution channels should be consistent with what is expected of a premium brand, and the promotional campaign should build consistent associations.

Building brand equity requires a significant effort, and some companies use alternative means of achieving the benefits of a strong brand. For example, brand equity can be borrowed by extending the brand name to a line of products in the same product category or even to other categories. In some cases, especially when there is a perceptual connection between the products, such extensions are successful. In other cases, the extensions are unsuccessful and can dilute the original brand equity. Potentially dilutive extensions that are inconsistent with the consumer's perception of the brand should be avoided. Extensions also should be avoided if the core brand is not yet sufficiently strong.

Brand equity also can be ‘bought’ by licensing to use of a strong brand for a new product. The success of brand licensing, however, is not guaranteed and must be analyzed carefully for appropriateness.

11.6 Measurement of Brand Equity

There are many ways to measure brand equity. Some measurements approaches are at the firm level, some at the product level and still others are at the consumer level:

- **Firm Level:** Firm level approaches measure the brand as a financial asset. In short, a calculation is made regarding how much the brand is worth as an intangible asset. For example, if you were to take the value of the firm, as derived by its market capitalization and then subtract tangible assets and measurable intangible assets then the residual would be the brand equity.
- **Product Level**: The classic product level brand measurement example is to compare the price of a no-name or private label product with an equivalent branded product. The difference in price, assuming all things equal, is due to the brand.
- **Consumer Level**: This approach seeks to map the mind of the consumer to find out what associations with the brand that the consumer has. This approach seeks to measure the awareness (recall and recognition) and brand image (the overall associations that the brand has). Free association tests and projective techniques are commonly used to uncover the tangible and intangible attributes, attitudes, and intentions about a brand. Brands with high levels of awareness and strong, favorable and unique associations are high equity brands.

All of these calculations are, at best, approximations. A more complete understanding of the brand can occur if multiple measures are used.

Measuring the financial value of the brand usually converts managers to a staunch brand supporter and gets the organization to view brands as assets that must be maintained, built and leveraged. In his book, *Managing Brand Equity*, David Aaker writes about several approaches to valuing a brand as an asset. Many companies, magazines and journals also have come out with new methods and numbers. For example, Inter brand has a methodology to help public and private companies measure their brands' values. Financial World annually ranked top brands by their financial values (estimating the Coca-Cola brand to be worth $48 billion in 1997).

There are five main aspects that need to be considered when calculating a brand's equity. These are:

- What additional price premium the product can command over a generic;
- How much additional market share can be gained;
- What cost savings can result from an ability to exercise increased control over the channel;
- What additional revenue can be gained through licensing and brand extensions; and
- The additional marketing costs that need to be incurred in providing the point of differentiation as a competitive strategy.

The approaches available for brand equity determination can be grouped into the five major categories:

1. Cost-based Approaches

Discussed below are a few cost based methods for determining brand equity:

(a) Brand Equity Based on Accumulated Costs - Cost-based approaches consider the costs associated with creating the brand or replacing the brand, including research and development, market testing, promotion, and product improvement costs. The accumulated cost approach will determine the value of the brand as the sum of accumulated costs expended on the brand to date. This method is the easiest to perform, as normally all the data are readily available

(b) Replacement Cost Method - The replacement cost approach determines the cost that would be incurred to replace the asset if it is destroyed (Aaker, 1991; Keller, 1998). An advantage of this method is that it provides a better reflection of the true value of the brand. A disadvantage of this approach is that the value does not bear a relation to the open market value. One could over-capitalise, by over investing in that asset which may not be recouped if the asset was sold.

2. Market-based Approaches

Discussed below are a few market based methods for determining brand equity:

(a) Brand Equity Based on Customer Preference - Aaker (1991) proposed that the value of the brand can be calculated by observing the increase in awareness and comparing it to the corresponding increase in the market share. Aaker, however, also identified the problem associated with this approach; as being how much of the increased market share is attributable to the brand's awareness increase and how much to other factors. Another issue is that one would not expect a linear function between awareness and market share.

(b) Comparable Approach - This approach takes the premium (or some other measure) that has been paid for similar brands and applies this to brands that the company owns. The advantage of this approach is that it is based on what third parties are actually willing to pay and it is easy to calculate. The shortcomings are that there is a lack of detailed information on the purchase price of brands and that two brands are seldom alike.

For this, a company should keep an eye on some recent acquisitions. **India Business Directory (2010)** has indicated some such acquisitions which can throw light on brand equity of various brands. According to this directory, Tata Motors acquired Jaguar and Land rover brands for $ 2.3 billion in March 2008 and Dai Ichi Sankiyo Japan acquired Ranbaxy for $ 4.5 billion in 2008. Earlier, Coca Cola paid Rs. 40 crores for buying out Parle's Thums Up, Limca, Gold Spot brands and Godrej paid Rs. 80 crores for Good Knight and Hit brands.

(c) Market Value Based Approach - It based on the amount for which a brand can be sold. The open market valuation is the highest value that a 'willing buyer and willing seller' is prepared to pay for the asset. This would exclude a strategic buyer who may have other objectives. This valuation basis should be used when one wishes to sell the brand.

(d) The Residual Method - Keller (1998) has proposed that the residual value, when the market capitalization is subtracted from the net asset value, is equal to the value of the 'intangibles' one of which is the brand. Furthermore this is the upper limit that certain procedures will value a brand at. It is widely recognized that market efficiency is a myth and the only debate that rages on now is the degree of inefficiency. Shares often trade at below their net asset value. Shares of companies who trade at below their net asset value (NAV) by implication then have negative brand equity. If the brand had been capitalised into the balance sheet, a worthless balance sheet would be produced.

3. Economic-use or Income Based Approaches

Discussed below are a few Economic uses or Income based methods for determining brand equity:

(a) Future Earnings Approach - In this method, the valuer attempts to determine the earnings that arise from the brand. Also referred to as 'in-use' or income-based approach, it considers the valuation of future net earnings directly attributable to the brand to determine the value of the brand in its current use. This basis is often appropriate when valuing an asset that is unlikely to be sold as a flanking brand that is being used for strategic reasons. This method reflects the future potential of a brand that the owner currently enjoys. This value is useful when compared to the open market valuation as the owner can determine the benefit foregone by pursuing the current course of action. . The main drawback is that it is difficult to attribute profits to brand equity and not to other intangible factors. It also fails to take any balance sheet implications into consideration such as increased working capital.

(b) Royalty Relief Method - The Royalty Relief method is the most popular in practice. It is premised on the royalty that a company would have to pay for the use of the trademark if they had to license it. This method calls for determination of royalty. This appears to be very easy but it is not so. It is really a challenge to determine what the appropriate royalty rate is. Two rules of thumb have been suggested, especially in pharmaceutical industry, the "25% rule" and the "5% rule". The "25% rule" proposes that the royalty should be 25% of the net profit. The "5% rule" proposes that the royalty should be 5% of turnover.

Professional valuers spend a considerable amount of time and effort determining the appropriate royalty rate. They rely on databases that publish international royalty rates for the specific industry and the product. This investigation will provide a range of appropriate royalty rates. The final royalty rate is decided upon after looking at the qualitative aspects around the brand, such as the strength of the brand team and management as well as many other factors.

The advantages of this approach are that the valuation is industry specific and has been accepted by many tax authorities as an acceptable model. The disadvantage of this approach is that very few brands are truly comparable and usually the royalty rate encompasses more than just the brand. Licenses are normally for a limited time period and cover some sort of technical know-how payments only.

(c) Price Premium Method - The premise of the price premium approach is that a branded product should sell for a premium over a generic product. The value of the brand is, therefore, the discounted future sales premium. The major advantage of this approach is that it is transparent and easy to understand. The relationship between brand equity and price is easily explained. The disadvantage is that where a branded product does not command a price premium, the benefit arises on the cost and market share dimensions.

Apart from the problems that the premium price normally suffers from, as one begins to alter price levels the perceived value of the brand may diminish. By means of an example, conjoint analysis might indicate that the manner to maximize sales is to drop the price as the volume gain would more than offset the discount price, however once this has been achieved the positioning of the brand may be compromised which could result in an element of brand switching. If the brand premium changes on a regular basis, confusion may be created in customers' minds, as the positioning of the brand changes.

<u>(d) Brand Equity Based on Differences in Return on Investment, Return on Assets and Economic Value Added</u> - There are models based on differences between return on investment, return on assets or economic value added. These models are based on the premise that branded products deliver superior returns. Therefore, if we value the 'excess' returns into the future we would derive a value for the brand.

The main shortcoming of these approaches is that they do not make the distinction between brands and other intangible assets that give rise to the superior performance. As these are also accounting based models, one has to ensure that all the amounts are treated and classified in a similar manner in order to ensure that the comparison is meaningful. Another shortcoming is the difficulty of finding a company that is in the same industry that has a similar asset base or capital structure. A further criticism is that these returns are not risk adjusted, i.e., the variability of earnings in the two companies could be quite different. The only place that one can make adjustment for this is in the discount rate. The advantages of this model are that it is easy to explain, the information is readily available, and the calculation is easy to do.

<u>(e) The Use of Price to Sales Ratios</u> - Increasingly investors are beginning to use the price to sales multiple (in conjunction with the price earnings and the price to book ratio) in order to evaluate investment decisions (Damodaran, 1996). The value of the brand name is the difference between the price to sales ratio of a branded firm to that of a generic firm. The advantages of this approach are that the information is readily available and it is easy to conceptualize. The drawbacks are that few firms are truly comparable and it makes no distinction between the brand and other intangible assets such as good customer relationships.

<u>(f) Brand Equity Based on Discounted Cash Flow</u> - This method suffers from the same problems that are faced when trying to determine the cash flows (profits) attributable to the brand. From a pure finance perspective it is better to use Free Cash Flows; as these are not affected by accounting anomalies. Cash flow is ultimately the key variable in determining the value of any asset. Furthermore Discounted Cash Flow does not adequately consider assets that do not produce cash flows currently. The advantage of this method is that it takes increased working capital and fixed asset investments into account.

4. Formulary Approaches

Formulary approaches consider multiple criteria to determine the value of a brand. While similar in certain respects to income-based or economic use approaches, they are included as a separate category due to their extensive commercial usage by consulting and other organizations. Discussed below are a few formulary approaches for determining brand equity:

(a) Interbrand Approach - This method has been developed by a company called Interbrand, Inc., U.K. Interbrand determines the earnings from the brand and capitalizes them after making suitable adjustments. Interbrand takes the forecast profit and deducts a capital charge in order to determine the economic profit (EVA). Interbrand then attempts to determine the brand's earnings by using the "brand index". The "brand index" is based on seven factors. The factors as well as their weights are:

- Market (10%) – Whether the market is stable, growing and has strong barriers to entry.
- Stability (15%) – Are the customers brand loyal? Is market share stable?
- Leadership (25%) – Does the brand leads the sector that it competes in?
- Trend (10%) – What is the long term future of the brand?
- Support (10%) – Is the brand actively promoted and supported by the company?
- Internationalization/Geography (25%) – What is the strength of the brand in the international arena?
- Protection (5%) – Is there adequate trademark protection?

The advantage of this approach is that it is widely accepted and it takes all aspects of branding into account. By using the economic profit figure, all additional costs and all marketing spend have been accounted for. The major shortcoming is that it compares "apples with oranges". The international component should not be applied over the local brand earnings. If a company wants to bring the international aspect into play it must include potential international profits. Here two valuation bases are muddled. On the one hand there is an "in use" basis and on the other hand, there is an "open market" valuation.

Aaker, however, has argued that "the Interbrand system does not consider the potential of the brand to support extensions into other product classes. Brand support may be ineffective; spending money on advertising does not necessarily indicate effective brand building. Trademark protection, although necessary, does not of itself create brand value."

(b) Financial World Method - The *Financial World* magazine method utilizes the Interbrand Brand Strength multiplier or "brand index", comprising the same seven factors and weightings. The premium profit attributable to the brand is calculated differently, however. This premium is determined by estimating the operating profit attributable to a brand, and then deducting from this the earnings of a comparable unbranded product. The resulting premium profit is adjusted for taxes, and multiplied by the brand strength multiplier.

(c) Brand Equity Ten – David Aaker's "Brand Equity Ten" utilizes five categories of measures to assess brand equity:

- Loyalty Measures
    1. Price premium
    2. Customer satisfaction or loyalty

- Perceived Quality or Leadership Measures
  3. Perceived quality
  4. Leadership or popularity
- Other customer-oriented associations or differentiation measures
  5. Perceived value
  6. Brand personality
  7. Organizational associations
- Awareness measures
  8. Brand awareness
- Market behavior measures
  9. Market share
  10. Market price and distribution coverage

These measures represent the customer loyalty dimension of brand equity. They can be utilized to develop a brand equity measurement instrument, depending on the type of product or market, and the purpose of the instrument.

<u>(d) Brand Finance Method</u> - Another commercial approach to brand valuation has been developed by Brand Finance Limited, a UK consulting organization. This method comprises of four elements:

- Total market modeling: to identify the position of the brand in the context of a competitive marketplace
- Specific brand business forecasting: to identify total business earnings from the brand
- Business drivers research: to determine the added value of total earnings attributed specifically to the brand
- Brand risk review: to assess the earnings or "Beta" risk factor associated with the earnings

Brand valuation is determined by assessing the brand added value after tax, and discounting this at a rate that reflects the risk profile of the brand.

<u>(e) Brand Asset Valuator (BAV)</u> – Advertising agency Young and Rubicam (Y&R) has developed this model of brand equity based on research with almost 2,00,000 consumers in 40 countries. BAV provides comparative measures of the brand equity of thousands of brands across hundreds of different categories. There are four key components or pillars of brand equity, according to BAV:

- Differentiation – It measures the degree to which a brand is seen as different from others.
- Relevance – It measures the breadth of a brand's appeal.
- Esteem – It measures how well the brand is regarded and respected.
- Knowledge – It measures how familiar and intimate consumers are with the brand.

Differentiation and relevance combine to determine *Brand Strength* which points to the brand's future value. Esteem and knowledge together creates *Brand Stature* which is more of a report card on past performance.

5. Special Situation Approaches

Special situation approaches recognize that brand valuation can be related to particular circumstances that are not necessarily consistent with external or internal valuations. A strategic buyer is often willing to pay a premium above the market value. This may be a result of synergies that they are able to develop which other buyers may not be able to achieve. When an asset is valued, in the absence of a written offer from the strategic buyer, it cannot be assumed that a buyer will appear and be prepared to pay a premium price. Each case has to be evaluated on individual merit, based on how much value the strategic buyer can extract from the market as a result of this purchase, and how much of this value the seller will be able to obtain from this strategic buyer.

The liquidation value is the value that the asset would fetch in a distress sale. The value under a liquidation sale is normally substantially lower than in a willing buyer and seller arrangement. The costs of liquidating the asset should normally be deducted in determining the value of the asset.

When valuing an asset for special purposes, for example, income tax, the method that the assessing authority requires should be used. The advantage of this approach is that one is assured that all requirements are met. The drawback of the above approach is that the value may bear little relevance to economic reality or serve another useful purpose.

The discount rate, growth rate and the useful life of the brand are often the most neglected issues in brand valuation, yet they play an important role in the eventual valuation of the brand. Managers need to ask brand valuers pertinent questions regarding the assumptions made in determining these key variables. Most approaches make use of the discount rate and the growth rate in order to determine an appropriate multiplier that needs to be applied to the estimated annual value of brand earnings.

The perpetuity formula that is the basis for all these calculations is stated as:

Implied Multiplier = (1+ growth rate)/ (Discount rate – growth rate)

The discount rate is one of the most difficult variables to determine. In most Discounted Cash Flow analysis (DCF) the discount rate used is the firm's weighted average cost of capital (WACC). This is shown as:

WACC = (After tax cost of debt) x (target debt to total assets ratio) + (cost of equity) x (target equity to total assets ratio)

Using a firm specific WACC raises certain issues.

The *first issue* is that WACC is a factor of the firm's gearing ratio. It, therefore, seems illogical that an asset's value can change based on the leverage of the firm. It would be far more appropriate if the WACC represented the gearing that a financial institution would extend to this firm or the standard industry wide gearing ratio.

The *second issue* is how a firm determines the correct cost of equity. The most commonly used method is the Capital Asset Pricing Model (CAPM). This model determines the risk of the company relative to the market by regressing the share price movements against the market movements.

The *last issue* is whether using a firm specific WACC in the first place is the correct measure. One of the major benefits of branding is that the earnings are less volatile. By using the firm's WACC one may be undervaluing the brand. Less volatile earnings result in a lower Beta and consequently a lower cost of equity. This is a classic case of double counting. Some alternatives to using a firm specific WACC include an industry WACC; using a debt: equity ratio based on what a financial institution would extend to the company in order to purchase this asset; and determining the discount rate from economic principles.

The *growth rate* is another area where there is considerable debate. According to **Damodaran (1996)** there are a number of measures used to determine the growth rate. These include historical trends; forecast growth; an estimate of future real growth in the economy; and the inflation rate plus a real growth adjustment. Numerous factors should be considered when determining the appropriate growth rate. These factors include the industry size and prospects as well as the company's ability to satisfy the market demands in terms of the growth rate.

Determining the *useful life* of a brand is another area that requires a considerable amount of thought. Many of the world's leading brands have been around for over 50 years. Most brand managers hold the belief that their brands will have a similar life. However manager's need to be realistic and consider a brand in terms of its lifecycle and what plans are being made to keep their brand contemporary.

11.7 Summary

Brand Equity refers to the marketing and financial outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name. It may be defined as the sum of all distinguishing qualities of a brand, drawn from all relevant stakeholders, that results in personal commitment to and demand for the brand; these differentiating thoughts and feelings make the brand valued and valuable. Brand equity, therefore, is defined as a term used in reference to the value of a well-known brand. Brand equity is an intangible asset that depends on associations made by the consumer. Strong brand equity increases cash flow by increasing market share, reducing promotional costs, and allowing premium pricing. Brand equity is also an asset that can be encashed if the brand is sold or leased. There are many ways to measure brand equity. Some measurements approaches are at the firm level, some at the product level and still others are at the consumer level. The approaches and methods available for brand equity determination can be grouped into the five major categories - cost-based approaches; market-based approaches; economic use or income-based approaches; formulary approaches; and special situation approaches.

11.8 Self Assessment Questions

1. What do you mean by 'Brand Equity'? Discuss various drivers of brand equity.
2. How can a company build and manage brand equity? Explain with the help of suitable examples.
3. Discuss various approaches and methods of measuring brand equity.
4. Discuss some of the market based and income based methods of measuring brand equity.
5. Why should a firm create brand equity? How can it be measured?
6. 'One definition is not sufficient in understanding the concept of brand equity as it has many dimensions'. Do you agree with the statement? Elaborate your view point with suitable examples and justifications.

11.9 Reference Books

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Unit - 12 Brand Value

Structure of Unit

12.0 Objectives

After completing this unit, you would be able to:

1. To understand the concept of brand value and brand equity and appreciate the difference between the two.
2. To understand the purpose of brand valuation and the levels of brand value measurement.
3. To successfully identify the various types of brand values.
4. To comprehend the significance of improving a brand's value.
5. To understand the various methods of calculating a brand value and understanding the obstacles to the process.
6. To enumerate the six steps of the process of brand value.
7. To make note of and understand various managerial issues of brand valuation.

12.1 Introduction

With reference to Brand Finance literature, the term "Brand Value" is considered to be the net present value of the estimated future cash flows attributable to the Brand. **Brand value** is a phrase used in the marketing industry which describes the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more money from products with that brand name than from products with a less well known name, as consumers believe that a product with a well-known name is better than products with less well-known names

A brand can be an intangible asset, used by consultants like Brand Finance to rationalize the variation between a company's "book value" and market value. Brand value in the case of consumer product brands can be measured through customer loyalty, staff retention/recruitment. Therefore, Brand value can be influenced positively and negatively; with a number of famous examples where Brands have made the right ('Intel

Inside' marketing activity) or wrong decision (New Coke vs. the American public). Quantitative brand equity, i.e., brand value includes numerical values such as profit margins and market share, but fails to capture qualitative elements such as prestige and associations of interest. The brand value of top 10 Brands has been summarized as follows:

Rank	Brand	Brand Value ($bil)	1-Yr Value Change (%)	Brand Revenue ($bil)	Company Advertising ($mil)	Industry
1	Apple	104.3	20	156.5	1,100	Technology
2	Microsoft	56.7	4	77.8	2,600	Technology
3	Coca-Cola	54.9	9	23.5	3,342	Beverages
4	IBM	50.7	5	104.5	1,339	Technology
5	Google	47.3	26	43.5	772	Technology
6	McDonald's	39.4	5	88.3	788	Restaurants
7	General Electric	34.2	2	132.1	-	Diversified
8	Intel	30.9	-4	53.3	2,000	Technology
9	Samsung	29.5	53	181.0	4,398	Technology
10	Louis Vuitton	28.4	16	9.4	4,211	Luxury

Table 12.1 - THE TOP TEN BRANDS

- **Purpose of Brand Value**

The purpose of brand value, as the name suggests, is to measure the value of a brand. A brand encompasses the name, logo, image, and perceptions that identify a product, service, or provider in the minds of customers. It takes shape in advertising, packaging, and other marketing communications, and becomes a focus of the relationship with consumers. In time, a brand comes to embody a promise about the goods it identifies—a promise about quality, performance, or other dimensions of value, which can influence consumers' choices among competing products. When consumers trust a brand and find it relevant, they may select the offerings associated with that brand over those of competitors, even at a premium price. When a brand's promise extends beyond a particular product, its owner may leverage it to enter new markets. For all these reasons, a brand can hold tremendous value, which is known as brand value. Brand value is best managed with the development of Brand Equity Goals, which are then used to track progress and performance.

12.2 Brand Equity and Brand Value

Brand equity and brand value are both measures that estimate what a brand is worth. The difference between these two measures is that brand value refers to the financial asset that the company records on its balance sheet, while brand equity refers to the importance of the brand to a customer of the company.

Brand value and brand equity represent two different, yet intricately linked, concepts. Brand value is the net present value of future cash flows from a branded product minus the net present value of future cash flows from a similar unbranded product—or, in simpler terms, what the brand is worth to management and shareholders. Brand equity is a set of perceptions, knowledge and behaviour on the part of customers that creates demand and/or a price premium for a branded product—in other words, what the brand is worth to a customer. Brand equity may also be defined as a set of elements such as brand associations, market fundamentals and marketing assets that help distinguish one brand from another. Measuring brand value has its usefulness, the act of measurement by itself will not make a brand more valuable or less risky. Quantifying and managing brand equity, however, using a customized measurement model, is critical to transferring value to the corporation's shareholders.

Brand Equity: Brand equity is more difficult to estimate because it relies on customers' beliefs. The company does not know whether a customer makes a purchase because he recognizes the company's brand or whether the customer uses other criteria, such as price and convenience, to make his decision. According to the University of Georgia, the company can attempt to estimate its brand equity by sending surveys to its customers to see if they recognize the brand. A company needs to develop brand equity past a certain point in a customer's mind before it becomes effective. The customer may watch several advertisements on television and radio, see the product in the store and buy the product several times before he recognizes the brand. This threshold effect complicates the valuation of brand equity because the equity suddenly goes from zero value to a high value.

Brand Value: Brand value is easier for a company to estimate. The company can determine the fair market value of the brand by asking other companies what price they would pay to purchase the brand. The company can also add up its costs of hiring marketers, consultants and advertising experts to develop a brand it already owns, or estimate the cost for the company to produce a new brand for its products. A brand may have a positive value on the company's books even if it lacks brand equity. When the company begins a new branding project, the company pays its employees while they work on the brand, but customers do not know about the brand yet. The company records these brand value development costs, establishing brand value before the brand gains equity.

12.3 Measurement of Brand Value

There are many ways to measure a brand. Some measurements approaches are at the firm level, some at the product level and still others are at the consumer level.

Firm Level: Firm level approaches measure the brand as a financial asset. In short, a calculation is made regarding how much the brand is worth as an intangible asset. For example, if you were to take the value of the firm, as derived by its market capitalization—and then subtract tangible assets and "measurable" intangible assets—the residual would be the brand equity. One high-profile firm level approach is by the consulting firm Interbrand. To do its calculation, Interbrand estimates brand value on the basis of projected profits discounted to a present value. The discount rate is a subjective rate determined by Interbrand and Wall Street equity specialists and reflects the risk profile, market leadership, stability and global reach of the brand. Brand valuation modeling is closely related to brand equity, and a number of models and approaches have been developed by different consultancies. Brand valuation models typically combine a brand equity measure (e.g.: the proportion of sales contributed by "brand") with commercial metrics such as margin or economic profit.

Product Level: The classic product level brand measurement example is to compare the price of a no-name or private label product to an "equivalent" branded product. The difference in price, assuming all things equal, is due to the brand. More recently a revenue premium approach has been advocated. Marketing mix modeling can isolate "base" and "incremental" sales, and it is sometimes argued that base sales approximate to a measure of brand equity. More sophisticated marketing mix models have a floating base that can capture changes in underlying brand equity for a product over time.

Consumer Level: This approach seeks to map the mind of the consumer to find out what associations with the brand the consumer has. This approach seeks to measure the awareness (recall and recognition) and brand image (the overall associations that the brand has). Free association tests and projective techniques are commonly used to uncover the tangible and intangible attributes, attitudes, and intentions about a brand. Brands with high levels of awareness and strong, favorable and unique associations are high equity brands.

All of these calculations are, at best, approximations. A more complete understanding of the brand can occur if multiple measures are used.

12.4 Types of Brand Value

Positive Brand Value vs. Negative Brand Value:

Brand value is the positive effect of the brand on the difference between the prices that the consumer accepts to pay when the brand known compared to the value of the benefit received.

There are two schools of thought regarding the existence of negative brand value. One perspective states brand value cannot be negative, hypothesizing only positive brand value is created by marketing activities such as advertising, PR, and promotion. A second perspective is that negative value can exist, due to catastrophic events to the brand, such as a wide product recall or continued negative press attention (Blackwater or Halliburton, for example). Colloquially, the term "negative brand value" may be used to describe a product or service where a brand has a negligible effect on a product level when compared to a no-name or private label product.

Family Branding vs. Individual Branding Strategies

The greater a company's brand value, the greater the probability that the company will use a family branding strategy rather than an individual branding strategy. This is because family branding allows them to leverage the equity accumulated in the core brand. Aspects of brand equity include: brand loyalty, awareness, association and perception of quality.

Examples: In the early 2000s in North America, the Ford Motor Company made a strategic decision to brand all new or redesigned cars with names starting with "F." This aligned with the previous tradition of naming all sport utility vehicles since the Ford Explorer with the letter "E." The Toronto Star quoted an analyst who warned that changing the name of the well known Windstar to the Freestar would cause confusion and discard brand equity built up, while a marketing manager believed that a name change would highlight the new redesign. The aging Taurus, which became one of the most significant cars in American auto history, would be abandoned in favor of three entirely new names, all starting with "F," the Five Hundred, Freestar, and Fusion. By 2007, the Freestar was discontinued without a replacement. The Five Hundred names were thrown out and Taurus was brought back for the next generation of that car in a surprise move by Alan Mulally. In practice, brand equity is difficult to measure. Because brands are crucial assets, however, both marketers and academic researchers have devised means to contemplate their value.

- **Improving Brand Value**

Once the company establishes brand equity, brand equity can increase the value of the brand. If the customer likes a shirt because of its brand name, he might also purchase a pair of pants with that brand name or buy cologne that uses the brand name. The company can use the future revenue it expects to collect by using the brand on these other products because of this equity to calculate the current brand value.

12.5 Obstacles in Brand Valuation

- In a study conducted by Robbin (1991), the number one concern was "the wide range of alternative valuation methods which will yield significantly different results" (Robbin 1991, p 56). A second concern was the difficulty in assessing the brand's useful life. There are several other obstacles to brand valuation that may be summarized as follows:
- There is a lack of an active market for brands. This means that estimates of model accuracy cannot be tested empirically nor can one gain some sort of assurance of testing the value by putting the brand on the market.

- Many practitioners are unwilling to publish their models and open them up to academic debate. In addition, the large numbers of models cause confusion amongst marketers and they are difficult to conceptualise.
- Another important obstacle is that it is difficult to separate brand equity from other intangibles like goodwill. Barwise, Higson, Likierman and Marsh suggest that "at present, there is no general agreement on valuation methods. Nor can existing methods be regarded as either totally theoretically valid nor empirically verifiable."

It is important to recognize that only after careful consideration of all the enterprise's intangible assets will the valuer be able to determine the importance of the brand in the organization's current market position. Reilly and Schweihs (1999) list many possible intangible assets. These include marketing related assets such as trademarks, logos and brand names, and corporate identity. Customer related intangible assets include customer lists and customer relationships. A further problem arises in the process of valuing an intangible asset such as a brand which, often requires estimation and subjectivity.

12.6 Process of Building Brand Value

Goodyear (1996) proposed a six-stage model of brand development. This paper employs the model and suggests brand equity building in each stage.

- **Stage 1: Unbranded Goods** - In the first stage, "goods are treated as commodity, where consumers are reluctant to make brand distinctions, for example, toothpicks, clothes pins. In this stage, consumer's memory network consists primarily of a node identifying the product category. Such goods are often seen in developing countries. Information about the product is generally limited to product uses". Consumers have little brand knowledge of the product. Brand equity barely exists in this stage.
- **Stage 2: Brand as Reference -** In the second stage, "increasing competitive market forces product manufacturers to differentiate their goods from others". The customers are still learning about the product and the first type of knowledge is product-related information. The goal of brand management is to place the brand as having unique functional benefits, i.e. to identify the brand's functional benefits with a distinctive name thereby differentiating it from other brands. In this stage, "consumers are linking various brand nodes to the product category in memory and expanding the network associated with each brand". In this stage, brand equity building is focused on brand awareness, product-related attributes, and functional benefits. Enhancing the strength of brand associations is the main purpose of marketing mix.
- **Stage 3: Brand as Personality** - "When many product manufacturers make the same claim of rational/functional attributes, differentiation among brands encounters difficulty". "Customers select brand personalities consonant with the emotional values of the brand and the target consumers' lifestyle". Therefore, marketers begin to create their brands personalities. "The values of the brand change from instrumental to symbolic and facilitate expression of self or help people represent their past history". Thus, the personalities of the consumer and

the brand begin to merge and the value of the brand has become self-expression. Products and brands are also used by cultures to express cultural principles and establish cultural categories. In this stage, management should pay constant attention to the market to create the right personality for the brand and to update it when needed. Non-product-related attributes (usage imagery) and experiential benefits are cores of brand equity building and emphasizing the uniqueness of brand associations is the main task in this stage.

- **Stage 4: Brand as Icon** - In this stage, Goodyear (1996) believes consumers "own the brand", because they have the knowledge of the brand and use its symbolic benefits. Management connects the brand with a particular value and usually extends the perception of the brand globally. Brands are denoted by physical symbols, such as Coca Cola's hourglass bottle and McDonald's M sign. "These icons make the identification of symbolic brands easier no matter what the local language is". Some associations such as Michael Jordan and Nike lead to an important set of secondary associations of a "highly positive nature" in which all become winners. Thus, in this stage, symbolic benefits, non-product related attributes (user imagery), secondary associations are used to construct the brand equity.
- **Stage 5: Brand as Company** - The brands have composite identities and there are many communication channels between the consumers and the brands in this stage. "Growing penetration of the Internet allows more consumers to find out what they want to know about brands, rather than what marketers want to say". "Consumers become more energetically involved in the brand creation process in building their attitudes toward the brand. On the supply side, markets are likely to become more fractured, as needs-based segmentation becomes more common". "Rather than support an array of individual brands, management is shifting toward greater use of corporate branding". "in order to provide an umbrella of respect for the firm's portfolio of brands". Thus, second associations such as company and attitudes toward the brands are developed in this stage.
- **Stage 6: Brand as Policy** - "In the final stage, the brand and company become closely identified with social, ethical and political issues". Consumers commit to those brands and companies who share their views. "The crucial risk involving in social, ethical or political issues is distancing consumers who do not like the firm's standpoint. Before firms leap into this stage, they must consider whether their history will support a brand as company stance". "The brand image at the end of the evolutionary process is highly similar to what Kapferer (1997) calls brand identity". In this stage, companies choose a standpoint to attract the favorability of brand associations of the potential customers.

"It is highly unlikely that all companies will choose to push their brand concepts throughout all six stages of brand evolution. For most firms, stages three or four will probably be the apex of their brand development. Stages 5 and 6 may be perceived as too risky" . This section combines Keller (1993) model and Goodyear (1996) models to illustrate what dimensions of brand knowledge should be built or emphasized in different stages. The contribution of this process model is a dynamic view of brand value building and a practical value to Goodyear (1996) model.

12.7 Managerial Issues

There are a number of issues that need to be discussed when considering the approaches managers want to use to value their brands.

- **The portfolio effect**: Some companies have developed a portfolio of brands for strategic reasons. The value of the brands individually does not equal the value of the brands as a whole. A method of valuing a portfolio of brands would be to value the brand in its current use as well as add on the effect of that brand not entering into the single brand optimum space.
- **Umbrella brands or co-brands** infer benefits due to the associations with the company (Aaker, 1996a). The difficulty here is to determine how much of the benefits are due to the product's brand name and how much is due to the umbrella or corporate brand.
- **Media inflation** plays a role. It makes it more difficult for companies to recreate the brand, and the cost of maintaining the brand increases. Some strength of a brand is related to awareness levels, due partly at least to the media inflation. A generic competitor does not have this pressure on their costs.
- **When a competitor enters the market**, a decline in market share could result. In most models, this would be seen as a reduction in brand equity. However, it can be argued that the customers that remain loyal are now worth more, resulting in an increase in brand equity.
- **Effect of sales promotions on brand equity** and the temptation to milk the brand: Most of the models use current sales. Mathematically the temptation is to raise brand equity by discounting the brand and thereby raising revenue. However, there is a possibility that this could destroy brand equity.
- **Approaches that rely on marketing research** need to ensure that the methodology used in the research conform to the scientific standards. Inappropriate sample sizes, bias, and other errors could occur, thus influencing the calculations.
- **Practical issues** that need to be considered with respect to brand valuation: These include the legal, accounting and tax implications. While these factors differ from country to country, managers must understand that no brand valuation will be complete without dealing with these requirements in their country.

12.8 Summary

The tangible and intangible value that a brand provides positively or negatively to an organization, its products, its services, and its bottom-line derived from consumer knowledge, perceptions, and experiences with the brand is known as brand equity. The term "Brand Value" is considered to be the net present value of the estimated future cash flows attributable to the Brand. It is also important to understand the obstacles faced during brand valuation and the six-stage process of building a positive brand value.

12.9 Self Assessment Questions

Q1. Explain in detail the concept of brand equity with a suitable example.
Q2. What do you mean by Brand value? Also, state the purpose of valuing a brand.
Q3. Differentiate between brand value and brand equity.
Q4. At what levels can you measure a brand's value?
Q5. What are the two types of brand value? Also explain the significance of improving a brand's value.
Q6. Explain in detail, the brand equity methodologies.
Q7. Elaborate the various methods of calculating the brand value and the obstacles to brand valuation.
Q8. Suppose you are the Brand Manager of a top corporate based in Delhi. The value of your brand has been falling for the past few years. Now, it's on your shoulder to calculate the brand's value and improve the same. Therefore, comprehend the six step process by which you can build a brand value. Also suggest measure to improve your brand's image.
Q9. Mention some of the managerial issues that you, as a manager might face in the process of brand valuation.

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Unit13 - Brand Identity

Structure of Unit

13.0 Objectives

After completing this unit, you would be able to:

- Understand the relationship between brand and its identity;
- Classify the dimension of brand identity into core and extended identity;
- Understand about brand identity planning;
- Know about elements of a successful brand identity;
- Learn the factors influencing brand identity;
- Understand the procedure of building brand identity.

13.1 Introduction

In society each individual has identity. An individual stands for some values. Similarly Brands like individuals, have identity. It consists of brand associations created by the brand manager. A brand is just like a promise to customers from the organization. Brand name is used for identity so it is necessary that each brand must have only a unique identity and it must also be protected by law. Brand identity creates a bond between the customer and the brand. The bond is based on value creation.

13.2 Concept of Brand Identity

The oxford dictionary defines identity as the fact of being who or what a person or thing is: the characteristic determining this. The outward expression of a brand – together with its name, trade name, interactions, and visual appearance – is brand identity. Brand identity is what the owner wants to communicate to its potential consumers. Since the uniqueness is accumulated by the brand owner, it replicates how the owner *wants* the consumer to identify the brand – and the company, business, merchandise or service.However, over time, a product's brand identity may obtain, gaining new features from consumer perception but not necessarily from the marketing communications an owner percolates to targeted consumers. Brand identity wishes to edge on genuine persona – real characteristics of the value and brand promise being provided and sustained by organizational and/or production characteristics

Brand identity is much more comprehensive than brand positioning which communicates to the consumer relevant values of the brand so as to distinguish it from competing brands. In an attempt to communicate the values of the brand, the positioning statement becomes just a slogan As Brand Identity is not just a slogan. It should also be appreciated that a brand does not merely exist as a bundle of physical attributes. It has intangible attributes, [personality, symbolism and corporate associations.

Brand Identity is not: Just brand image. Positioning, physical attributes of the product and outsiders perception. Brand identity is different than brand image, which is what consumers in point of fact imagine. The mechanism of the brand are shaped by the business itself, making brand identity the mode in which a business wants customers to distinguish its brands, not inevitably how it is actually professed.

An unconstructive gap between brand identity and brand image means a company is out of touch with market response, which will make promoting its products more difficult. The brand image apprehended by consumers can attain a point at which a business or product has to rebrand itself or risk not bringing in sales. The observable fundamental of brands (such as colors, design, logotype, name, and symbol) that together identifies and distinguish the brand in the consumers' minds is being coined as brand identity.

Brand Identity is a distinctive set of brand associations that the brand strategist aspires to generate or preserve. These relations represent what the brand stands for and involve a guarantee to customers from the organization member.

Brand Identity according to **Alycia Perry and David Wisnom III** consists of controllable elements of a brand such as the foundation soul, positioning, brand name, tag line, logo, messaging and occurrence. These elements are called controllable since they can be modified any time. Brand identity has verbal, visual, positioning and experiential components.

13.3 Dimensions of Brand Identity

Brand identity is the sum proposal that a company makes to customers, the assurance it creates. Brand identity is everything the company wants the brand to be seen as. Brand identity has two dimensions structurally- an inner core identity and extended identity. Both identities have product, organizational personality and symbolic perspectives. It does not mean a brand should reflect all these perspectives. It reflects the relevant ones so as to occupy a slot in the consumers mind.

13.3.1 Core Identity of Brand

A brand is like an onion which has many layers of extended identity. Peel them off and what ultimately remains in its core identity. Thus Dove is soap for complexion – complexion- beauty soap which is its core identity. Core identity represents the soul of the brand and the fundamental values and beliefs that back it up. It may draw its sustenance from an organization that stands for certain values. The core identity represents the timeless essence of the brand Associations that are mostly constant as the brand travels to new markets More resistant to change Includes elements that make the brand both unique and valuable The core identity: Examples McDonald's Value Offering, Quality, Service, Cleanliness etc.

The core identity correspond to the everlasting quintessence of a brand .It is innermost to both the connotation and accomplishment of the brand. It indicates the reasons why the brand as been brought into existence. It includes the links that are most probably to stay constant as the brand travels to new markets and products. The essentials of the core identity linger more opposed to change than the elements of the comprehensive identity. Thus the core identity is ageless while the brand position or the communication strategies might transform. It is generally the first word that people behind the brand may utter when asked what the brand stands for:

- Fiama De Villes – Shower gel for young women
- Boroplus– Antiseptic, protection
- Pampers – Trust and quality a baby needs
- Maggi- A two minutes noodles

13.3.2 Extended Identity

The extended identity Includes elements that provide texture and completeness Fills in the picture, adding details that help portray what the brand stands for The extended identity: Examples McDonald's Sub-brands, Logo, Characters, Convenience Nike Personality, Logo, Sub-brands, Slogan, Endorsers Close Up Mnemonic, Variants, Packaging

The identity structure of core identity for a strong brand should be more challenging to modify than elements of extended identity within a product class; a larger extended identity means a stronger brand one that is more memorable, interesting, and connected to the customer's life

The extended brand identity includes elements that provide texture and completeness. The core identity usually does not possess enough detail to perform all of the functions of a brand identity. In particular, a brand identity should help a company decide which program or communication is effective and which be damaging or off the target. Even a well-thought-out and on-target core identity may ultimately be too ambiguous or incomplete for this task. A brand personality does not often become a part of the core identity. However it can be exactly the right vehicle to add the needed texture and completeness by being a part of the extended identity. It provides the strategist with the opportunity to add full detail to complete the picture.

13.4 Brand Identity Planning

Brand identity consists of twelve dimensions organized around four perspectives:

1. Brand as a Product

Core element of a brand's identity is regularly its product driving force, which will influence the category of associations that are desirable and feasible. A physically powerful link to a product class means that the brand will be remembered when the product class is cued. A dominant brand will often be the only brand recalled. Band Aid in adhesive bandages i.e. whenever we think of bandages Band Aid is the first thing that comes to our mind. Many a times the consumers use the word Band Aid instead of bandage. Similarly, Bisleri is the word almost synonymous with the mineral water. Whenever one thinks of mineral water Bisleri is the first name that comes to their mind.

2. Brand as an Organization

The brand as organization perspective focuses on attributes of the organization rather than those of the product or service. The people, culture, values and programs of the company create such organization attributes as innovation, a drive for quality and concern for the environment. Some brand aspects can be described as product attributes in some contexts and organizational attributes in other contexts. Quality or innovation, for instance could be a product-related attribute if it is based on the design and features of a specific product offering while if it is based on the organizational cultures values and programs it would be an organizational-related attribute. In some cases there can be a combination of the two perspectives. However organizational attributes are more enduring and more resistant to competitive claims than are product attributes because:

- It is much easier to copy a product than to copy an organization with unique people, cultures and programs.
- Organizational attributes usually apply to a set of product classes and a competitor in only one product class may find difficult to compete.
- Organizational attributes such as being innovative are hard to communicate and evaluate it is difficult for competitors to demonstrate that they have overcome any perceived gap.

3. Brand as a Person

Brand personality is an imperative area of study for at least two reasons. First, research has shown that a strong brand personality may validate a higher price premium. Moreover, brand personality can play a key responsibility in differentiating a brand in a product category where there is essentially little or no difference between products. Earlier research indicates that the greater the similarity between a consumer's personality characteristics and the characteristics that they believe comprise the brand, the greater the preference for that brand. Brand-as-person perception recommends a brand identity that is richer and more interesting than one based on product attributes. Like a person, a brand can be perceived as being upscale, competent, remarkable, trustworthy, fun, active, humorous, casual, formal, youthful or intellectual.

FARDEEN KHAN for PROVOGUE – In this case you would associate Fardeen Khan with someone who is cool, trendy, from the upper class, fun loving. With Fardeen khan endorsing for provogue people's perception about Provogue clothes is also cool, trendy, for people who are fun loving.

A brand personality can help create a stronger brand in many ways:

- It can help create a self-expressive benefit that becomes a vehicle for the customer top express his or her personality. E.g. an Apple user might consider himself to be casual, anti corporate and creative.
- Just as human personalities affect relationship between people, brand personality can be the basis of a relationship between the customer and the brand. E.g. Mercedes Benz might be perceived as a upscale, admired person.
- It might help communicate a product attribute and thus contribute to a functional benefit. E.g. The strong, energetic personality of the Ambuja man suggests that Ambuja cement is also strong and energetic.

4. Brand as a Symbol

A strong symbol can provide consistency and constitution to an identity and make it much simple to achieve recognition and recall. Its presence can be a key ingredient of brand development and its absence can be considerably handicap. Elevating symbols to the status of being part of the brand identity reflects their potential power. Anything that represents a brand can be a symbol including programs such as the Ronald McDonald house. Symbols involving visual descriptions can be tremendous and powerful such as the Nike's "Swoosh" symbol and the McDonald's golden arches. Each strong visual image captures much of its respective brand's identity because associations between the symbol and the identity elements have been built up over time. It just takes a glimpse to be reminded of the brand.

13.5 Elements of a Successful Brand Identity

A logo or identity is not a brand unless it's in a cash cow category of GE matrix. A brand, rather, is the awareness formed in the customer's mind about a company, person or idea. This observation is the culmination of the logo, visuals, identity program, messages, products and actions. The designer doesn't make a brand. Only the customers can do this. The designer's role is to create one of the most important aspects of the brand—the logo or brand identity system. A logo can't make a bad product or company better, but a well-designed identity will help position a product or company to realize its full potential. Brand identity builds awareness and customer loyalty. A company that invests in a creating a professional brand identity gives its management, sales agents, and employees a great tool to inspire team spirit internally and to connect with its customers in the marketplace. A professional brand identity becomes the face of a company or organization and is often the first connection between the brand and its target audience.

What makes a good brand identity? Not every identity shares all these attributes, but the best ones share most, if not all of them. There can be following attributes of a brand which judge them to be into the category of good brand identity.

- **Unique Identity**: The brand should be uniquely identifiable to help differentiate it from the competitors. If a general survey is being done of how many brand messages the audience are exposed to each day for example on a public transit ride, in a grocery store or surfing the web. It is not always possible to make the identity represent exactly what the company wants to. This will avoid the identity resembling there competitors and will not limit areas of future growth.
- **Instant Recognition**: It should be simple enough to be instantly recognizable. Can anybody will easily able to remember the picture of Apple logo in their mindset? When we can easily recall and remember an identity, we form positive reactions to it that lead to feelings of comfort and trust which helps any brand to develop its identity.
- **Appealing**: **It should always** depict the spectator in with pleasant aesthetics that appeal to the intended audience. While the culmination of a neutral colour palette, elegant typography and beautiful photography create a tasteful and sophisticated look for Martha Stewart, this same look is likely not appropriate for an apparel brand aimed at a youth market into extreme sports.
- **Utility or Shape and color:** Brands should always **use** shape and colour to augment recognition and emotional response. The Nike swoosh creates an image of energy and dynamic power and Coca Cola uses red to suggest energy, life and vitality. It's hard to imagine either of these identities without their signature shape or colour. It sometimes has a hidden element or meaning that demands attention**.** Even the customers naturally want to try to figure out the meaning of these kinds of identities and the more time they spend with them, the more familiar they become.
- **Culture**: The brand must relate to the culture. Certain symbols and colours have very specific meanings to different cultures. For example, in the Western world we are very familiar with the Red Cross Society. In other parts of the world, the cross is replaced with a crescent and the name changes to the Red Crescent Society to be more sensitive to followers of the Islamic faith. The colour white is being considered for joy and peace in western countries while the same colour denotes sorrow in Asian countries. The company should do some research ahead of exploring a creative direction and should be sure that the brand in causing problems in an increasingly global marketplace.
- **Need of the Hour**: The brand will stand the test of time and not date itself quickly The CN logo is an example of an identity that is timeless in appeal and not be subject to changing trends or fashion. But most companies or organizations would do well to follow this route, but there are always exceptions. For example, certain product brands will be more fashion-forward in their approach to capitalize on the latest fad or trend.
- **Replicate:** The brand should be able to easily reproduce itself across a variety of media, both in print and online, and at a variety of sizes. What is legible on the side of a truck may not work as well when reduced to the size of a scooter in a browser address bar. A complex identity with gradients and transparency may work well on a web page, but may prove difficult to embroider on branded apparel. A well-designed brand identity system is flexible enough to easily accommodate different methods of reproduction and sizes.

13.6 Brand Identity Prism

Brand identity can be represented by a hexagonal prism. A Brand has *physical qualities* and *specifications*, a set of salient objective features that come to mind when the brand is mentioned. Jean Noel Kapferer has promoted a hexagonal theory of brand identity which he calls a PRISM consisting of physique, personality, culture, relationship, reflection and self-image. There are Internalization and Externalization elements and the picture of the sender and picture of recipient. The three Internalization elements are personality, culture and self-image.

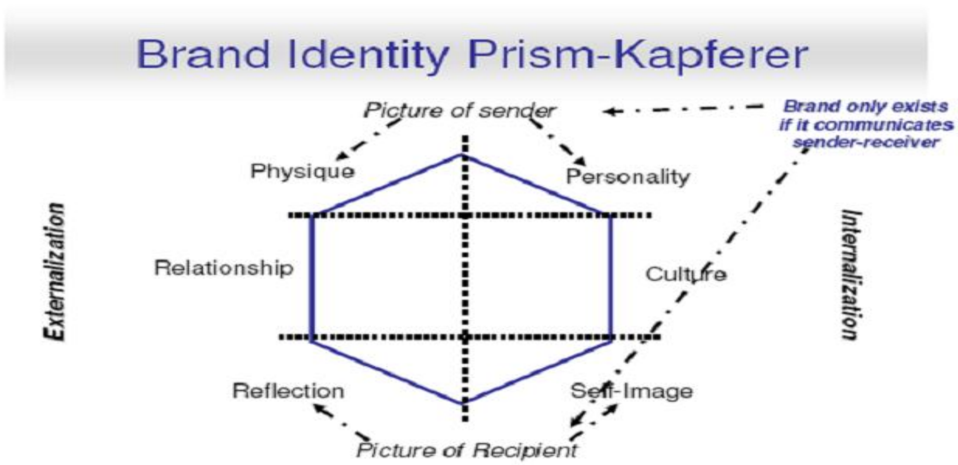

Figure 13.1 Kapferer Brand Identity Prism

The three Externalization elements of brand are physique, relationship and reflection.

1. A Brand has a Physique

All brands contain an external specificity that is physical appearance, which is the core of brand and its value added. The physical appearance determines a traditional brand management due to orientation to "know how", classical positioning, selecting a principal product or brand features and the benefit of the goods. The first step in building the brand is the definition of physical factors, identifying what it is, what it does and how does it look like. Physical appearance is closely connected with a brand prototype, revealing the quality of a brand Physical Facet talks about what the product is, what does it do, how does it add value to customers, how does it fill up the gap in the market

2. A Brand has a Personality

The straightforward way to fabricate a personality is to employ a narrator, a star or an animal. Brand personality is those traits of human personality that can be attributed to brands. This is the personality component of the correspondent. It should not be confused with the customer reflected image, which is a picture of the ideal receiver. Brand personality is calculated by means of those traits/features of consumer personality that are directly related to brands. There should be appropriate consideration given so that it does not get confused with consumer's reflection. Brand personality is closely linked with self image and image of the consumer.

3. A Brand is a Culture

Culture plays the indispensable role in brand differentiation as it signifies about what moral values to be personified in goods and services. This feature helps identifying the strongest brands because it help in disclosing there sources, basic ideals and a set of values. Brand culture the name signifies that it talks about the culture of the brand. The principles and the ideology will follow from the culture and it is these standards which will bind the customers. For example HSBC’s "The World's local bank".

4. A Brand is a Relationship

Brands are often the object of transactions between people, of exchanges. This is critical for services and for retailers relationship is the hand-shake between the consumer and the organization. For example *Nike* – provocation:

“Just Do It”, Apple – friendliness, IBM- order setting, Saffola- safety. Every brand has to maintain healthy relationships with customers. All marketing collaterals are intended to do just that. Therefore to gauge the identity, this had to feature. Brand relationship tries to answer sales, customer support, method of customer relationship management etc. to increase customer satisfaction.

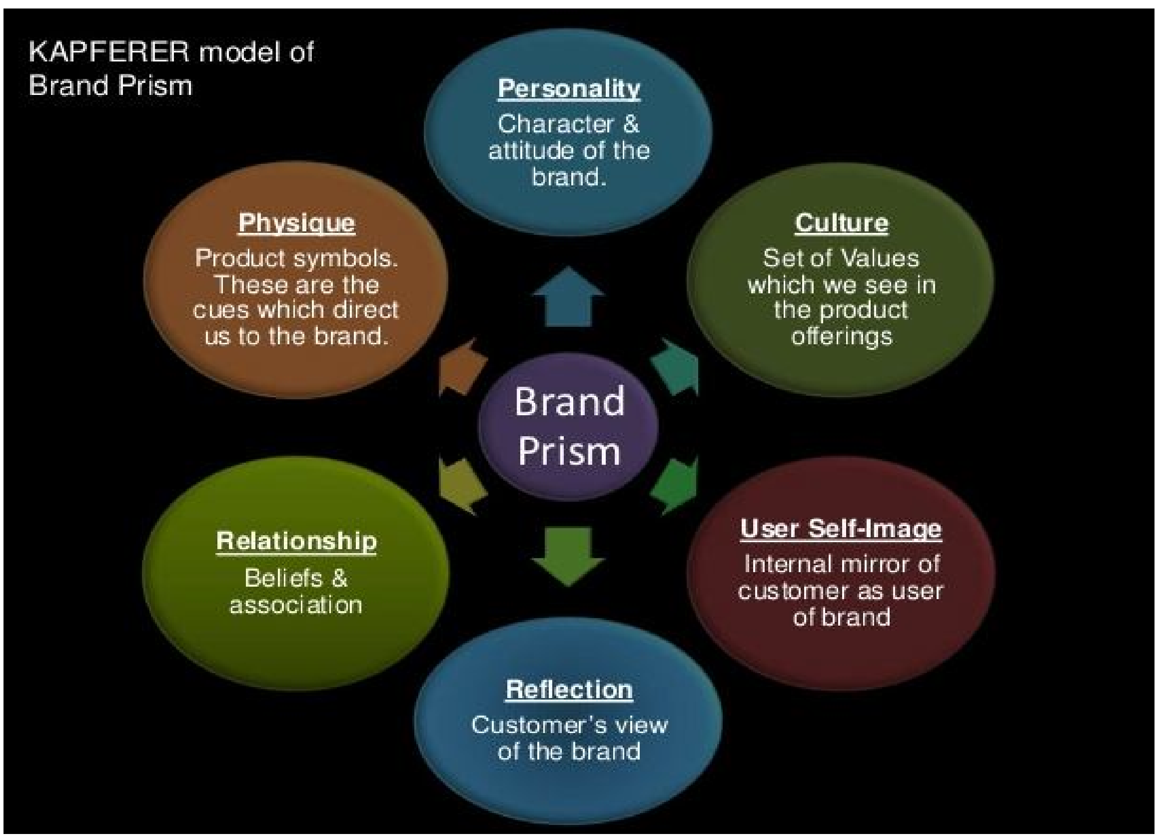

Figure 13.3 Brand Identity Prism

5. A Brand is a Customer Reflection

Every product is designed to satisfy some need of the intended customer base. A consumer has to be reflected in a way, which would show how he or she could image himself consuming a particular good. For example, in India anyone consuming Pepsi Cola would imagine himself to be young and Thums up (another cola drink from Coke stable) to be adventurous. For this aspect, questions are to be put to customer experience team about what would the users imagine while using the product? Customer reflection is the consumer's perception of what the brand reflects. If asked for views on car brands consumers identify them on the perceived client type: for young people, for family fathers, for show off etc Most representative products brands build an image of the buyer or user they seem to target. However the reflection and the target (potential purchasers or users) are different: Customer should be reflected as he /she wishes to be seen as a result of using the brand e.g. in ready to wear the obsession of looking younger concern's reflection.

6. A Brand is a Self-image

Consumers get attracted to those brands in which they see their own traits, for example, a man who is muscular and strong would smoke Marlboro. This goes hand in hand with brand personality. If reflection is the target's outward mirror (they are), self image is the target's own internal mirror (I am, I feel) Many Porsche owners in buying one want to prove to themselves that they can do it. The brand works like an obligation to push to the limits. However, its customer reflection was a car for show-offs. A user of SURF is telling herself that she is conscious of not just price but value as well. The internal mirror, inner reward is what the consumer thinks of himself when he perceives the image of brand with self image.

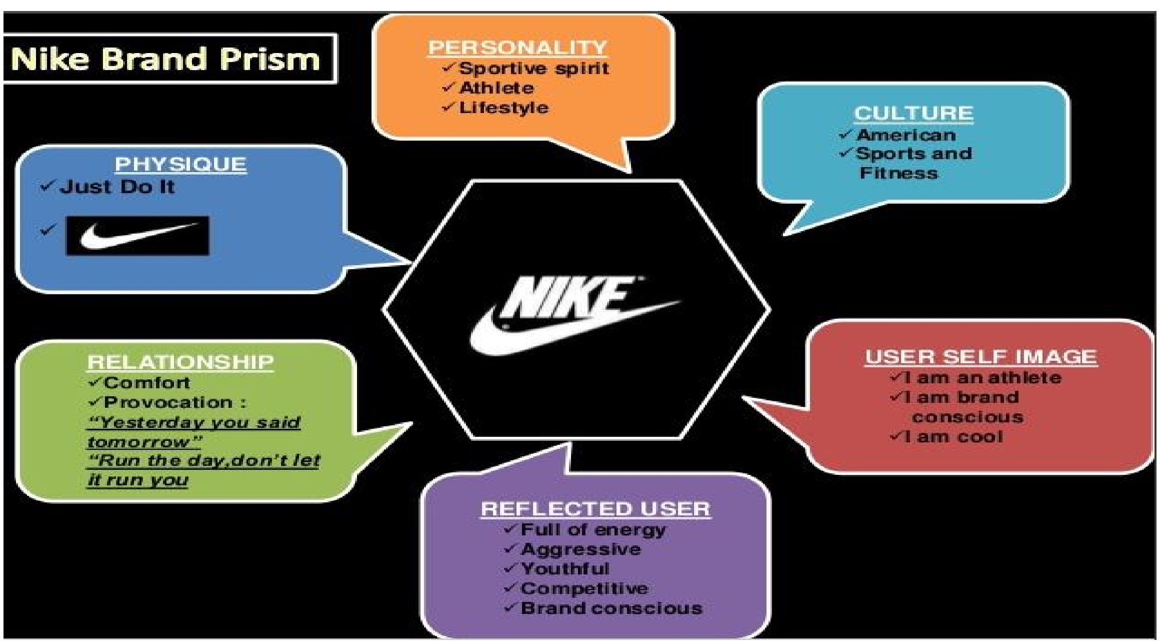

Figure 13.4 Brand Identity Prism of Nike

13.7 Factors Influencing Brand Identity

Factors influencing brand identity are as follows:

(1) Loyalty of customers is an indication of how good the identity is. Low loyalty points to the need for developing an attractive identity.
(2) Outdated identity not in Sync. With the present time there is need of updating the identity more frequently.
(3) Identity should be consistent all over the market. Inconsistency requires proper identity management.
(4) Addition of new products and services also require identity management
(5) Competitors identities do affect the brands own identity
(6) A changed customer profile require changes in identity
(7) When a company enters new markets, it must review its existing identity
(8) In slow down of economy, identity is neglected. Later when times improve, the brands should pay more attention to identity.

13.8 Building Brand Identity

Developing a brand identity is a five-step procedure that aims to undoubtedly define what the brand stands for -- its goals, its personality, the emotions the company want people to experience when they come into contact with there brand, and a clear conveyance of that identity through a positioning statement. Brand identity could be build upon following points:

1) Vision Statement

A vision statement describes what you want your company to become in the future. Therefore the "vision" statement should be inspirational and encouraging. Ideally, the statement should be of one sentence in length **and** should not explain how the vision will be met**.** The vision statement should be able to answer questions about company offerings, unique selling preposition, image of brand among customers and the future of the company in coming five years of period. To give an idea of what the company should end up with, should be HMT's vision statement: “The time keeper of Nation”

2) Mission Statement

A mission statement identifies the rationale of the company. It should be easy, clear-cut, eloquent, and consist of jargon-free language that's easy to grasp. The statement should be motivational to both employees and customers. When crafting the mission statement, few tips should be kept in mind: The ideology should consist of specific market needs the company exists to address, measures to address these needs, the guiding principles that define the company's approach and the edge over the competitors so that the customers buy from the company and not from the competitors. A good mission statement should look like, for example: The mission of The Walt Disney Company is to be one of “the world's leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world”.

3) Essence

A brand's essence is the depiction of the company's heart, soul, and spirit, and is best described with one word. When defining the essence of the brand, company should consider points which include the brand personality, its association with personality, when the customers experience the product or service, what kind of emotions does the customer encounters. etc. The essence of the company speaks to the intangible emotions the brand want there customers to feel when they experience the brand**.** Some great samples of brands' essences are: Volvo is "safe", Disney is "magical", and Lamborghini is "exotic" etc.

4) Personality

Similar to humans, a brand's personality describes the way a brand speaks, behaves, thinks, acts, and reacts. It is the epitome of the brand which behaves like the application of human characteristics to a business. To generalize an example, Apple is young and hip. IBM is old and stodgy. The company desires what personality they want to put forth when people experience their brand like lighthearted and fun loving, serious and all-business, down-to-earth, playful or matter-of-fact etc.

5) Position or Value Proposition

A brand positioning statement is a one- or two-sentence statement that clearly articulates the company product or service's unique value, and how it benefits customers. The positioning statement must define the audience, define the category in which the brand exists, cite a clear product or service benefit, setting the brand apart from there competitors, and instilling the confidence of the brand which will deliver its promise. When crafting a positioning statement, consideration should be on target market, demographic, and persona of brand, market segment, brand promise which include both rational and emotional, how the product or service is different from the competition, and why the customers should care. For example, Zipcar has a great brand positioning statement. To urban-dwelling, educated techno-savvy consumers, when you use Zipcar car-sharing service instead of owning a car, you save money while reducing your carbon footprint.

13.9 Summary

At the heart of managing a brand are two aspects: the brand as it is indented to be and the brand as it is actually perceived. The first refers to brand identity and the latter to brand image. Identity implies what a person or thing is and what it is not. Brands often suffer at the hands of managers who are not able to maintain coherence and direction in their efforts. This happens primarily because of lack of a well defined identity established for the brand. The absence of appreciation of what brand is creates fuzziness as to what is within legitimate scope and what is not. Identity is an insiders concept. It defines what the brand is and what it intends to become, what is the brand and what it intends to become, what is the brands essence, its core proposition, its uniqueness and its focus. Brand identity clarifies direction and meaning of the brand to managers.

13.10 Self Assessment Questions

1. What do you understand by brand identity? Explain the concept with hypothetical example.
2. Differentiate between brand identity, brand image and brand association with example.
3. Discuss the dimensions of brand identity.
4. Describe Jean Noel Kapferer's Brand identity prism. Discuss the prism with help of any product brand of your choice.

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Unit 14 - Brand Loyalty

Structure of Unit

14.0 Objectives

The learning objective: this unit will help you to understand:

- Brand Loyalty its types and importance for branded products.
- Understand the relationship between brand and its influence on loyalty
- This gives us an insight to understand Brand Loyalty better.
- Brand loyalty is a very interesting topic as it relates very closely to daily lives.
- Learn the factors influencing brand identity;
- Understand the procedure of building brand loyalty.
- To understand the Functional and Symbolic Aspects of Brand Loyalty
- To comprehend The Brand Loyalty Challenge in Indian context

14.1 Introduction

Retaining an existing consumer is often more profitable than finding a new consumer. This is known to marketers for the last two decades. While retaining brand loyal customers, it is important to consider its impact on the bottom line of the company. Research across product categories has shown that 100 per cent retention of customers will not be always profitable to the brand and retaining customers indiscriminately would not lead to profitability. A basic understanding of retention strategies is required for a marketer even before CRM (customer relationship management) strategies are planned. There cannot be a better time to understand and implement customer retention strategies (in both consumer and business-to-business marketing) given the economic downturn in several markets and the need to retain profitable customers. Loyalty and retention strategies would have to be understood before customer equity strategies are formulated. There is a need not only for customer equity oriented strategies but also for investing in behavioural research of customers to know the underpinnings on which loyalty or retention is built.

14.2 Concept of Brand Loyalty

Brand loyalty is the consumer's conscious or unconscious decision, expressed through intention or behaviour, to repurchase a brand continually. The consumer's commitment to repurchase or otherwise continue using the brand and can be demonstrated not only by repeated buying of a product or service, but positive behaviours also - such as word of mouth advocacy.

Brand loyalty is said to exist when a person buys products from the same manufacturer repeatedly rather than from other suppliers. When consumers become committed to a brand and make repeat purchases over time. Brand loyalty is a result of consumer behaviour and is affected by a person's preferences. Loyal customers will consistently purchase products from their preferred brands, regardless of convenience or price. Companies will often use different marketing strategies to cultivate loyal customers, be it is through loyalty programs (i.e. rewards programs) or trials and incentives (ex. samples and free gifts). Companies that successfully cultivate loyal customers also develop brand ambassadors – consumers that will market a certain brand and talk positively about it among their friends. This is free word-of-mouth marketing for the company and is often very effective. The extent of the faithfulness of consumers to a particular brand, expressed through their repeat purchases, irrespective of the marketing pressure generated by the competing brands

Brand loyalty is more than simple repurchasing. Customers may repurchase a brand due to situational constraints (such as vendor lock-in), a lack of viable alternatives, or out of convenience. Such loyalty is referred to as *"spurious loyalty"*.

"True brand loyalty" exists when customers have a high relative attitude toward the brand which is then exhibited through repurchase behavior. This type of loyalty can be a great asset to the firm: customers are willing to pay higher prices, they may cost less to serve, and can bring new customers to the firm. For example, if Rahul has brand loyalty to Company A he will purchase Company A's products even if Company B's are cheaper and/or of a higher quality.

Brand loyalty is the repeat purchase made by the consumer out of commitment to the brand. In many cases of loyalty, marketers may do well to check if the repeat purchases are made out of *commitment* or if they are *inertia* purchases. A customer may keep buying a brand of soap or toothpaste because of its availability with regard to a specific stock-keeping unit which he can afford (50 grams or 75 grams package is the specific stock keeping unit referred in this context).

A customer may not go through a decision process to select a brand when they are brand loyal. Though there is a great deal of similarity/overlap between habit and loyalty, the repeat purchase made out of convenience can be classified under habit whereas purchases made out of commitment are loyalty.

14.2.1 Advantages of Brand Loyalty

- Brand loyal consumers start building a relationship with the brand. When customers become loyal, they not only buy the product/service, they also become emotionally attached to the brand. They may recommend the brand to their friends and family develops an emotional connection, and act as a brand evangelist. These recommendations are known as "word-of-mouth" marketing, continue to be most effective, as they can articulate the value proposition of the brand, and address an emotional connection that resonates well with others
- They develop a favourable attitude towards the brand resulting in commitment.
- They may become advocates of the brand by the positive word of mouth.
- "Brand loyal consumers may become passionate about the brand and form clubs which results in further strengthening the brand". Maruti, the automobile brand in India, is an example of how passion among consumers has been instrumental in reflecting the loyalty to the brand.
- The members get together and go out on family trips in the cars wearing special garments created by the brand. The linkages involved in brand visibility and the display of loyalty results in a positive rub-off on the equity of the brand. There is even research evidence to show that brand loyal consumers may even actually avoid advertisements of competitive brands.
- Loyal consumers may also be prepared to try out the variants of the brand and in certain categories may even be prepared to pay a premium (high priced cigarettes and perfumes may be examples).
- Brand loyal consumers may try out other offerings (other categories) brought out by the brand. Fabmart, the Internet store, which is into books, jewellery, music and groceries, has consumers who are loyal to the brand and are likely to order several categories from the store - this indicates store loyalty. Under certain conditions, consumers may also transfer their brand loyalty across product categories. Virgin is a brand in the US, which is into financial services, cola drink, music and airline and the brand is doing well in all the categories.

14.2.2 Types of Brand Loyalty

Jeau Noel Kaplerer has suggested three facts of brand loyalty as many consumers hold very favorable attitude towards a particular brand:

(i) ***Potential loyal*** are the customers who come under the category of brand preferences but as a marketer to convert potential loyal into committed loyal a marketers has to devise a programme which will help increase the rate of purchase of particular brand.

(ii) ***Pseudo loyal*** are the customers who go for repeat purchase of a particular brand but do not have strong attitudes towards the brand. They may buy the brand because of its price sensitivity or availability of brand.

(iii) ***Committed loyal*** are known as active loyal customers who go for repeat purchase committed towards a particular brand. To retain these customers a marketer should be induced to try more and more new products and should go for line extension or brand extension.

14.3 Building Brand Loyalty

With thousands of brands crawling around and begging for recognition, we know that customer loyalty is key in getting a particular brand to the top.

14.3.1 Tactics to Generate Brand Loyalty

There could be six great tactics to be assembled which can generate loyalty to the particular brand. These *tactics* help in seeing increased business and otherwise noticing increased awareness of the product.

1. First impressions

The companies should try to be genuine and best self. The organization should put its best foot forward as the first impressions matter.

2. Meaningfully Keeping in Touch

Customers should be informed on upcoming discounts and offers. A convenient way to include engaging content should be figured out – emails, SMS, newsletters etc.

3. Setting High Stakes

Customers should be kept invested. A high switching cost is an asset, not an obstacle. The customers of Apple are frequently seen as rabid and devoted. It's because they've invested in an expensive product, and after switching from a PC, they've had to learn how to work with a completely new operating system. High stakes can also be set through advertising and promotion.

4. Rewarding the customers

The existing customers are the most valuable to the business, so the company should create an emotional connection and reward them. Honouring coupons and implementing loyalty programs go a long way towards ensuring repeat business. Moreover, rewarding the customers motivates them to keep referring the brand to friends or family members which go miles farther for free. The greater the rewards, the more business the company can expect. The organization should think big by being practical at the same time.

5. Naming Customers

Naming the loyal customers helps creating a sense of identity and community among them at the same time. Airlines have been successful through this tactic (Frequent Flyers) to develop brand loyalty.

6. Making the customers feel famous

Lots of companies employ some sort of "customer spotlight" feature to build brand loyalty through customer get-togethers and meetings. The company should talk to their users, and when they say something interesting, it should be shared with attribution. Brand loyalty comes after consumers hear brand messages, develop perceptions of the brand and expectations for it, try the brand, and are happy enough with the branded experience that they want to buy it again and again.

14.3.2 Steps to Build Brand Loyalty

To establish brand loyalty the brand must live by the company's core principles and go above and beyond customer expectations. The company should work on the philosophy of going extra mile to set their brand apart from competitors. The company should find something uncommon about the offering, and discover a way to become well-known to the core customer base by offering a differentiation. Marketers should focus on creating more brand loyalists and "brands that create an intimate emotional connection that the company simply can't do without it ever.

The company should never think about trying to build brand loyalty until their brand strategy and the entire brand elements are in place. The brand identity, promise, personality, and position must all be well-developed and focused to the target audience. The company should develop brand messages and branded experiences that consistently and persistently communicate the brand promise. These messages and experiences help to create consumer perceptions about the brand as well as consumer expectations from the brand. To help ensure the brand loyalty from customer *six steps* could be followed to build long term brand loyalty:

1) **Establishing Brand Storytelling –** The brand should be able to create stories that communicate the personality, values and experiences of the brand. As per the research companies should base these stories by analyzing and understanding the personality, values and experiences of there customers. A brand story that connects with their product/service and target demographics should be created. The brand story should be built by determining what sets the company apart from their competitors and what establishes a unique identity for the brand (Unique Selling Proposition – USP). Brand storytelling and experience should be created both in-person and online.

2) **Connecting with the Customers –** Company should identify touch points which matter most to the customers and provide an emotional connection. This can be achieved by increasing awareness amongst the customers, providing the customers with value and motivation and creating a community that builds buzz around the brand.

3) **Anticipating the Needs of Customers –** The Company should never start selling to their customers, listen to their needs and focus on what the customers want. The customers are looking for the next experience, so they should be offered additional value or incentives (i.e. loyalty cards or programs), as these customers are typically more profitable and will most likely reciprocate by staying loyal to the brand.

4) **Delivering on Promise –** The companies should have a habit to deliver happiness every step of the way. Show the customers that the company truly cares by surpassing their expectations. Offer something new or exciting and stay true to the brand mission and promise.

5) **Being Consistent –** Consistently delivering the same message and performance through all lines of business is reassuring and keeps the brand at top-of-mind. Being consistent helps re-affirm the customers' trust and credibility in the brand, and helps provide clarity of distinction from competitors.

6) **Delivering Personalized Experiences –** Digital marketing enables the companies to connect with customers in different ways. A strategy of conversational marketing that

orchestrates one-to-one seamless messaging across all channels should be derived. The company should profile, segment and analyze the customer base and past buying patterns and create personalized, two-way interactions with the customers that are relevant and customized. The company should keep the focus on building customer relationships.

14.4 Factors Influencing Brand Loyalty

It has been suggested that loyalty includes some degree of pre-dispositional commitment toward a brand. Brand loyalty is viewed as multidimensional construct. It is determined by several distinct psychological processes and it entails multivariate measurements. Customers' perceived value, brand trust, customers' satisfaction, repeat purchase behavior, and commitment are found to be the key influencing factors of brand loyalty. Commitment and repeat purchase behaviour are considered as necessary conditions for brand loyalty followed by perceived value, satisfaction, and brand trust.

According to **Andrew Ehrenberg**, of the London Business School consumers buy 'portfolios of brands'. They switch regularly between brands, often because they simply want a change. Thus, 'brand penetration' or 'brand share' reflects only a statistical chance that the majority of customers will buy that brand next time as part of a portfolio of brands they favour. It does not guarantee that they will stay loyal.

According to **Mark Di Somma**, what customers need at first is awareness, authenticity and excitement over the brand in order for a brand to gain top-of-mind. But once customers are passionate about a brand, they need different things. They need to feel rewarded in order to make the decision to lock-in and stay loyal to a brand. Often at times, marketers offer no real sense of reward and ignore their loyal customers.

A research reflects that brand loyalty could be enhanced if the product tried results in a high degree of satisfaction. This is because the consumer feels that the time invested in learning about the brand has resulted in a positive outcome. If a customer spends significant time in choosing a readymade apparel brand and find that it gave him high level of satisfaction, there is a high degree of probability that he would become a loyal consumer of the brand. This is because the time invested in learning about the category and the brand has resulted in a positive outcome which is likely to discourage the customer from experimenting with other brands during their subsequent cycles of the category purchase.

14.5 Customer Loyalty Vs Brand Loyalty

Customer loyalty and brand loyalty are two very important aspects of business retention. Even though closely linked, they are actually two very different concepts, especially when it comes to the mind frame of the consumer.

- The main difference between the two is that customer loyalty mainly relates to the overall spending power of consumers and what the company can offer them in terms of regular prices and money-saving offers. Brand loyalty, on the other hand, has very little to do with prices or money, but has everything to do with how the brand is perceived by the consumer, whether through promotional activities, reputation or their previous experiences with the company.

- Customer loyalty relates to those consumers that keep coming back to the sales point because they offer lower prices than the competition or better discounts for specific products they are looking for. Whereas brand loyal customers remain loyal because they believe the company offers a better service and higher quality than anyone else, regardless of pricing or other financial reasons. This type of customer is also more likely to try out other products from the same brand, even if they are slightly more expensive, whereas consumers on the customer loyalty end of the spectrum will certainly be tempted to shop around if the prices go up or if the company stops sending a monthly newsletter.
- Similarly, customer loyalty and brand loyalty retention have to be addressed in two very distinct and separate ways. Customer loyalty can be encouraged and improved by maintaining overall low prices and offering regular loyalty discounts, special offers or multi-buy deals. This will convince the regular customers that are still the cheapest merchant on the market and will prevent them from purchasing their products elsewhere. Brand loyalty, on the other hand, is much easier to maintain once established. As long as the product quality and the level of service the company provide remains the same, brand-loyal customers will feel little need to check out the competition. In that sense, brand loyalty is less risky than customer loyalty and requires little effort to keep. On the flip side, however, brand-loyal customers tend to make fewer purchases, although the profit margins on the products they do buy tend to be a lot bigger.

All in all, customer and brand loyalty are equally important and businesses should aim to target both by using different types of products in their range. By combining the two concepts in the marketing strategy, the revenue will rocket like never before. One of the biggest challenges facing marketers is gaining and retaining customers.

14.6 Functional and Symbolic Aspects

Depicting upon several theories and models associated with consumer loyalty and learning processes, consumers may initially become loyal to a particular brand because of its functional benefits. Loyalty across toothpastes, cars, banking services and books clearly show that a brand has to score on functional aspects whenever consumers use 'search-oriented' products (search-oriented products are those which could be evaluated by consumers even before they buy/try the product). For instance, a consumer may go through the ingredients of Colgate Total and derive inferences about the benefits (evaluate it to a certain extent) and try the brand. Loyalty on such search oriented products gets initiated when the consumer experiences the benefits of functional attributes.

Symbolic associations may also play an important role in strengthening loyalty to a brand (gel toothpastes are advertised on the symbolic aspects and this trigger a certain kind of loyalty because of peer group associations - this could happen after the brand is established). But even when symbolism triggers loyalty, a certain degree of benefit should be an outcome of the brand usage. Symbolism can have an impact on loyalty related to products which are consumed for sensory gratification – such as beer, perfumes and cigarettes.

A brand's communication revolving around symbolism (status or snob appeal or group affiliation or a personality trait) adds to the gratification inherent in the product and results in loyalty. Raymonds which has positioned itself for the 'complete man' may attract a certain degree of loyalty from its target segment (but in this kind of product category, improvements in functional qualities of offerings would strengthen and sustain the loyalty of the brand).

Experience related services are those which could be evaluated only after the consumer goes through the consumption experience. In categories which are highly 'experience related' like hotel services or airline services, symbolism could enable consumers to try the service. A hotel or an airline could bring in appealing symbolism in its advertisements but the 'experience' would prove to be the final dimension which would trigger loyalty.

An ideal approach for a brand would be to use the functional route to loyalty and then use appropriate symbolic communication to strengthen the loyalty over a period of time. The basic assumption in this kind of an approach is that the brand would constantly update its offerings (or product line) with improvements which would result in a competitive advantage over competing brands. A brand has to adapt itself to the changing environment over a period of time (while using symbolic imagery consistent with its brand proposition).

Symbolic or psychological appeals should strengthen loyalty rather than creating a feeling of alienation from the existing loyal base of consumers. Volvo, a brand name known for safety and reliability for several decades (around the world) may launch campaigns which centre around psychological appeals which reinforce the safety image the advertisements may show beautiful scenic spots which provide a break for the pressurized urbanites and the advertisement could present how such consumers could reach these spots safely with their Volvo. The psychological factors like reliability, trust and reassurance also matters in business-to business marketing as they provide the basic platform for customer relationship management.

14.7 The Brand Loyalty Challenges

Indian consumers have always exhibited Multiple Brand Loyalty (MBL). The increasing brand variety in the Indian Market is eroding brand loyalty per se and the multiple-brand loyalty brand bouquet is witnessing greater variety-seeking behavior. The most important factors contributing to this phenomenon are the growth of organized retailing, changing consumer preferences and increasing media clutter. As India speeds on the road to modernization, these are necessary evils marketers have to contend with. The relevance of brands in future will be decided not on their emotional imagery, but perceived value. In this context, combating brand variety entails creating need-based customer value propositions, prioritizing target markets and creating short-term brands.

“Consumer loyalty is fast becoming a disappearing phenomenon with an increasing demand for brand variety” In an increasingly borderless world, consumers are getting exposed to both information and choice overloads, making them increasingly confused about brands, products and advertising. Today, India sees the launch of new products, new brand extensions and new price points, all aimed at that elusive thing called the consumer’s mind-space, almost every day. In this context, it becomes imperative for the marketer to evaluate brand loyalty and whither he stands in the brand continuum.

Brand loyalty is the degree to which a customer holds a positive attitude towards a brand, has a commitment to it, and intends to continue purchasing it in the future. This presupposes that there is something in the brand that satisfies both the social and psychological needs of the consumer. Indian consumers have always exhibited multiple-brand loyalty (MBL) as privileged members in the family are given preferential treatment in terms of better quality goods than the rest. The elderly and children are two such groups with formidable influencing power. The young urban professional might wear Allen Solly or Peter England shirts as daily wear, but are likely to use Louis Philippe for special occasions. A housewife is likely to use Tide or Surf Excel for extra whiteness, whereas for coloured clothes, she might use RIN Power.

In rural India, MBL exists albeit in a restricted manner due to limited choice. The plethora of brands now available in the Indian market, in virtually every product category, has only increased the breadth and depth of MBL. Increasing brand variety has resulted in more product usage, with every new brand trying to create its own space within the category spectrum. For example, the shampoo category now includes shampoos for dry, oily, normal and damaged hair. We also have shampoo-plus conditioners, anti-dandruff shampoos and shampoos guaranteeing increased volume and better hair growth. With premium brands like Lux penetrating the lowest section in the rural sector, no market can remain immune to the phenomenon of brand variety. Over the past five years, the smaller brands have started to threaten the bigger players in every product category.

In fact, the services sector witness’s greater challenges in sustaining brand loyalty, as the offerings are intangible. The banking and financial services sector is a prime example of the customer churn caused by increasing brand variety. People now have a wide variety of options to choose from, right from insurance policies to bank accounts. Every brand in the multiple brand loyalty bouquet is witnessing greater brand switching due to greater brand variety. This brings us to the need for a paradigm shift in the way marketers approach the empowered Indian consumer. There is need for a Paradigm Shift in Indian marketers as they are under assault from a number of factors a couple which are:

- Organized retailing has thrown up powerful retailers who cannot be dictated to. Increasingly sophisticated consumers are demanding more for less.
- The plethora of media options has resulted in fragmentation of mass-communication reach and effectiveness.

To understand and evaluate the impact of brand variety on the Indian consumer, all these externalities need to be taken into account. With organised retailing gaining rapid acceptance and popularity, the fight for shelf-space has begun in earnest. Brand switching is induced by both manufacturer and in-store promotions, merchandizing and retailer.

In urban India, the preoccupation with convenience-shopping and hygienically packed goods has led to an increase in national, regional, local and store-level brands. Earlier, small brands remained so as they could not match the distribution might of the MNCs. The growing reach of organised retail chains has lowered this key entry barrier. The resultant increase in brand variety has in turn led the consumer to opt for multiple brands for multiple occasions rather than an all-encompassing brand.

There is a changing consumer preference with rise in the disposable income level; the Indian consumer is willing to spend more on personal needs and indulgences. In a scenario where 'cool' means the latest, *variety-seeking behaviour* is becoming the norm than the exception. Increasingly, people are sticking to the 'old faithful' which seem to be predictable and boring. Customer's willingness to try a new brand nowadays matches or even surpasses their loyalty towards a familiar brand. Consumers are not stressing on low cost but higher value.

The reasons for variety seeking are many. **Dan Herman** says that buying a new brand can be psychologically instrumental because it –

- Strengthens the self image of someone who is current
- Nurtures a feeling of liveliness and connectedness to what is happening in the world around us
- Provides a refreshing, renewed, stimulated and invigorated feeling
- Increases confidence in purchase choice because new often means improved quality

The rapid advancements witnessed by the country in areas like education, communication; information technology and transportation have created a sense of freedom in the minds of the populace. The influence of community in shaping purchasing decisions has diminished to a great extent. The fast pace of development has removed the surprise element in any new brand introduction.

14.8 Summary

In the new emerging business scenario, brands are becoming the most valuable assets that a business can possess. Brands are wealth generators of the twenty-first century. When products are not differentiated in the factories they are differentiated in the consumer's minds. Brands are capable of transforming mundane products into objects of desire. Brands create identifiable streams of earnings for a firm. Brand loyalty is the ultimate goal a company sets for a branded product. Brand loyalty is consumer's preference to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features images or level of quality at the right price. Brand is an instrument of loyalty generation it can tie a customer to the firm by rational and emotional hooks, thereby insulating a firm from the assaults of competitors. Brands transform the market into protected enclaves of customers who exhibit commitment and loyalty to one seller which obviously comes at the cost of disloyalty to other sellers. This is how a good marketer beats the competition.

14.9 Self Assessment Questions

1. Differentiate between pseudo loyalty and committed loyalty
2. Brand loyalty leads to brand equity. Explain
3. Discuss the symbolic and functional aspect of brand loyalty.
4. Write an essay on “Brand Loyalty Challenge in Indian Perspective”.

14.10 Reference Books

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Unit15 - Brand Association

Structure of Unit

15.0 Objectives

After completing this unit you will be able to:

- Understand the meaning of Brand Associations
- Its importance for the parent brands
- Understand meaning of Brand Image
- How it works and helps in maintaining brand Identity

15.1 Introduction

A successful brand is the most valuable resources a company has. In fact one authority speculates that brands are so valuable that companies will soon include a statement of values addendum to their balance sheets to include intangibles such as the value of their brand. Brand Associations are not benefits, but are images and symbols associated with a brand or a brand benefit. For example- The Nike Swoosh, Nokia sound, Film Stars as with "Lux", signature tune Ting-ting-ta-ding with Britannia, Blue colour with Pepsi, etc. Associations are not "reasons-to-buy" but provide acquaintance and differentiation that's not replicable. It is relating perceived qualities of a brand to a known entity. For instance- Hyatt Hotel is associated with luxury and comfort; BMW is associated with sophistication, fun driving, and superior engineering. Most popular brand associations are with the owners of brand, such as - Bill Gates and Microsoft, Reliance and Dhirubhai Ambani.

Brand association is anything which is deep seated in customer's mind about the brand. Brand should be associated with something positive so that the customers relate your brand to being positive. Brand associations are the attributes of brand which come into consumers mind when the brand is talked about. It is related with the implicit and explicit meanings which a consumer relates/associates with a specific brand name. Brand association can also be defined as the degree to which a specific product/service is recognized within it's product/service class/category. While choosing a brand name, it is essential that the name chosen should reinforce an important attribute or benefit association that forms it's product positioning. For instance - Power book. Brand association is a powerful aspect that should not be neglected. Brand association as name suggests "association means attachment" is anything that is connected to the customer's memory about the brand like reliable quality, stylish, price, durability etc. Associations contribute to brand equity as strong, positive associations which induce brand purchases, besides generating good word of mouth publicity. According to Aaker brand association is anything that is linked in memory to a brand.

Customers add to brand associations with each and every interaction. Customers form associations on the basis of quality perceptions, their interactions with employees and the organization, advertisements of the brand price points at which the brand is sold , product categories that the brand is in product displays in retail stores, publicity in various media.

Brand associations are useful to marketers, Marketers use brand associations to differentiate, position and extend brands, to create positive attitudes and feelings towards brands and to suggest attributes or benefits of purchasing or using a specific brand. However brand associations are of more use to customers will depend on the customer's perception of value. For each individual reality is a totally personal phenomenon based on that person's needs wants and personal experiences. Customers everyone respond to image, myths and metaphors that help them define their personal identities.

According to Aaker brand association represents the bases for purchase decisions and for brand loyalty. According to him the brand association is generated by creating value to the customer, helping to retrieve information about a brand, generating reason to buy, creating positive attitude towards the brand etc. Brand associations get created or expressed as per the consumers. It is difficult to ask them to express in any particular manner. However, the contents can be controlled to an extent by marketers. And in this context *advertising has a ma*jor *role to play.* The brand's advertising managers often try to create brand association.. So, a marketer who fails to keep the memories fresh takes an enormous risk.

Brand associations and sets of associations represent not only the underlying value of the brand, but also the meanings that consumers attribute to brands and brand names. Brand associations may very well be the basis on which consumer decisions like brand loyalty and purchase decisions are made.

15.2 Importance of Brand Association

The company to be very careful about building Brand Associations as it helps in five important ways.

15.2.1 Basis for Extension

This has been discussed earlier in the unit covering brand extension. Let us now look at some examples.

- Savlon was first introduced as a brand of antiseptic liquid which does not burn. It was then extended to the soap category.

- J & J launched toilet soaps for kids under the brand Kids fruit flavors. Then they introduced talc.
- Fair Glow was introduced as the first fairness soap. Then cream was launched.
- Clinic was introduced as a shampoo first. Then a hair was rolled out under the name.
- Kellogg's corn flakes were followed by biscuits.

All these are examples of exploiting brand associations in another category. Please note that as a reason to choose a brand is created, reason for not choosing another brand is simultaneously born.

15.2.2 Basis for Differentiation

According to advertisers brand association plays an important role in demonstrating the difference. It involves comparison and the same has to be done. One would have to contest with AAAI (Advertising Agencies Association of India) or MRTP (Monopolies and Restrictive Trade Practices) if a case is lodged. Some examples are given below

- Savlon showed in the ad that it did not burn (Unlike Dettol) although in the ad the character expected it to.
- Captain Cook salt exhibited in the ad that its salt flowed freely unlike the other salt (Tata salt).
- Whisper demonstrates that it absorbs more/effectively (compared to other brands). It is supported through the gel formation concept.
- Dove is not soap.

15.2.3 Wide Reason to Choose

Brand association provides a reason to choose. For example Bumol is for burns. No other brand comes to the mind for the same problem. Krack cream is for cracks on the feet. No other brand comes to the mind for it. Further, all examples for 'Differentiate' have a reason to loose.

15.2.4 Elicits Feelings

- Close-Up provides confidence as it ensures freshness because of which one can interact with others at a close distance.
- Good Knight Expert helps to ensure that one can sleep without disturbance.
- Santoor helps to look younger.

15.2.5 Evokes Favourable Attitude

- Cadbury's Dairy Milk is for all age groups. It would not be embarrassing if somebody is seen having it
- Femina is for modern and forward looking women like me
- Elle 18 is for the young, fast, and trendy

Brand association help consumers judge the value of a product. Consumers tend to have broad but somewhat vague stereotypes about specific brands that they judge. For example Italian leather, Japanese electronics etc By using the example of origin as a basis for judging value of products can be depicted schematically in the following model:

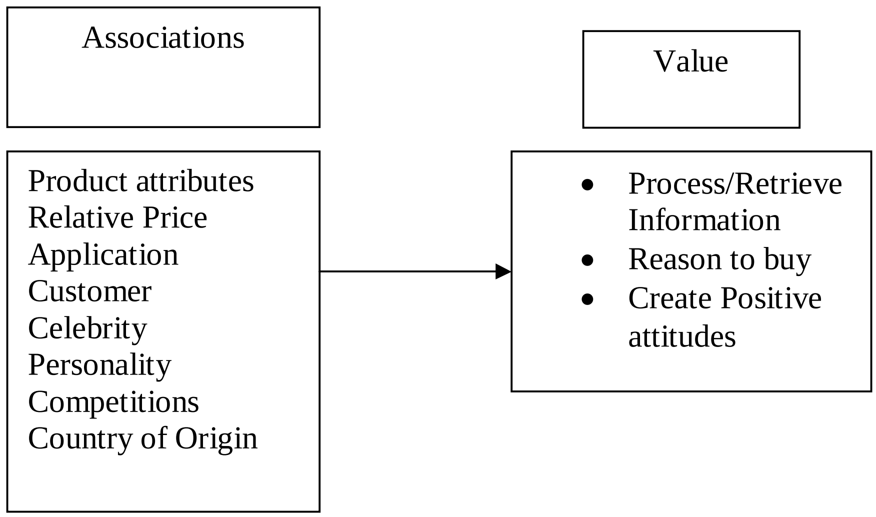

Figure 15.1 Brand Association and Brand Value Model

The model shows that a product is of value to the customer and hence it can be bought to satisfy a need depending on its attributes, its use or whether it can be associated with a particular customer group. A consumer will consider a product as being valuable if they can associate it with a certain celebrity, lifestyle or country of origin. Associations can be thought of as the bridges to the consumer's life experiences. They are how the brand burrows into the memory of the public by tying the brand to experiences the target consumer is already familiar. Brand associations attempt to capture share of mind of customers to influence purchase and built loyalty.

15.3 Positive Brand Associations

Associations can exist across a range of specific parameters. When a particular brand is positively associated with the general product category in the mind of the consumer (*share of mind*) then it is known as positive brand association. Often a consumer asks for a product by the specific brand name rather than the general name-for example, a person wanting facial tissues may ask for Kleenex. When this happens, the consumer is making a brand association.

Positive brand associations are developed if the product which the brand depicts is durable, marketable and desirable. The customers must be persuaded that the brand possess the features and attributes satisfying their needs. This will lead to customers having a positive impression about the product. Positive brand association helps an organization to gain goodwill, and obstructs the competitor's entry into the market.

Brand associations are formed on the following basis:

- Customers contact with the organization and it's employees;
- Advertisements;
- Word of mouth publicity;
- Price at which the brand is sold;
- Celebrity/big entity association;
- Quality of the product;
- Products and schemes offered by competitors;
- Product class/category to which the brand belongs;
- POP (Point of purchase) displays; etc.

15.4 Types of Brand Association

A brand association is any mental linkage to the brand. Brand association may include, e.g., product attributes, customer benefits, uses, life-styles, product classes, competitors and countries of origins. The association not only exists but also has a level of strength. The brand position based upon association how they differ from the competition. The brand position is based upon association and how they differ from the competition.

An association can affect the processing and recall of information, provide a point of differentiation, provide a reason to buy, create positive attitudes and feelings and serve as the basis of extensions. The associations that a well-established brand name provides can influence purchase behavior and effect user satisfaction. Even when the associations are not important to brand choices they can reassure, reducing the incentive to try other brands.

Brand association can be classified into three major types of increasing scope**:**

Attributes

The first type of brand associations are brand attributes. Attributes are those descriptive features that characterize a product or service. Attributes can be distinguished according to how directly they relate to product or service performance. Along these lines, attributes can be classified into product-related and non-product-related attributes.

Product-related **attributes** are defined as the ingredients necessary for performing the primary product or service function sought by consumer. Hence, they relate to product's physical composition or a service's requirements. Product-related attributes determine the nature and level of product performance.

Non-product-related attributes are defined as external aspects of the product or service that relate to its purchase or consumption. Non-product-related attributes may affect the product performance. The four main types of non-product-related attributes are price information, packing or product appearance information, user imagery and usage imagery.

Brand Benefits

The second type of brand associations is **brand benefits**. Benefits are the personal value and meaning that consumers attach to the product or service. Benefits can be further distinguished into three categories according to the underlying motivations to which they relate: functional benefits, experiential benefits, symbolic benefits.

1. **Functional benefits** are the more intrinsic advantages of product or service consumption and usually correspond to the product-relate attributes.
2. **Experiential benefits** relate to what is felt, when the product or service is used and they usually also correspond to both product-related attributes as well as non-product-related attributes such as usage imagery.
3. **Symbolic benefits** are the more extrinsic advantage of product or service consumption. They usually correspond to non-product-related attributes and relate to underlying needs for social approval or personal expression.

Attitudes

The third and most abstract types of brand association are brand **attitudes**. Brand attitudes are defined in terms of consumers' overall evaluations of a brand. Brand attitudes are important because they often form the basis for actions and behaviour that consumers take with the brand (e.g., brand choice) consumers' brand attitudes generally depend on specific considerations concerning the attributes and benefits of the brand. It is important to note the brand attitudes can be formed on the basis of benefits about product-related attributes and functional benefits and/or beliefs about non-product-related attributes and symbolic and experiential benefits.

In order to better comprehend how brand associations play a role in the consumers attitude toward brand extensions and decision making, it is necessary to understand how associations are developed in memory and how they are activated when consumers are exposed to a brand.

Memory models that are based on the associative network theory view semantic memory or knowledge as a set of nodes and links (Anderson 1983). Nodes are points in memory that store information or knowledge and there are a number of links that connect these nodes. These links are in turn, connected to other nodes. Any activation of a node will also activate the links that are connected to it and the other nodes that are connected to those links.

The associative memory model provides us with an excellent framework to represent brand knowledge and associations. It is possible to view brand names or brands being represented as nodes in memory, and the various associations as links connected to that brand name. This conceptualization provides us with a theoretical foundation to understand how associations are formed and developed.

Associations are created by anything linked to a brand (Aaker 1991). Let us consider a new brand that does not have any associations. When this brand name and product class is introduced to a consumer, either through advertising (print or television) or promotion, the consumer may represent knowledge of the brand name as a node in memory. It is also possible that the consumer may have certain thoughts associated with that brand name and product class, creating links attached to that brand node. These associations may be based on the brand name itself (a brand like Federal Express may create an association like fast or quick, based on the 'Express' part of the name) or it may be based on the product class to which the brand belongs (Bic pens may create associations related to the product class of pens and may be based on the consumers previous knowledge of that product class). These initial associations need not be based on any knowledge of the brand or its qualities or performance. Once a consumer actually sees a brand, a different set of associations may be created based on the shape or size of the product, its packaging, or its distribution channel. And once a consumer starts using a brand, yet another set of associations may be formed based on actual usage experiences, usage situations, etc. Thus, it is possible for brand associations to be formed at each stage of interaction between the brand and the consumer.

15.5 Measuring Brand Associations

A firm has is required to keep ahead of its competitors by imprinting its brand firmly. Therefore it needs to understand the consumer perceptions for the brand vis-à-vis those of competitors. This calls for the measurement of brand associations. Various techniques for measuring brand associations are:

Projective Techniques

Projective techniques are used when it is not possible or the respondent is not able to respond directly to the questions related to attitude, act of buying, owning or using a brand or feelings that they are unwilling to reveal. Another characteristic of projection research is the use of ambiguous stimuli, wherein there is freedom to project experiences, attitudes and perceptions. The commonly used projective techniques are word association, picture completion, thematic apperception tests (TAT), sentence completion and story completion.

Scaling Techniques

According to Aaker, structured approaches involve scaling brands upon set dimensions which makes it more objective than qualitative approaches. Scaling the consumer perception may involve determination of perceptual dimensions, identification of target segment, and interpretation of the brand profiles. The perceptual dimensions may include the product attributes and benefits, user of the brand, or relevant competitors. Scaling techniques utilizes semantic differential scale, conjoint analysis, Likert Scale, Conjoint analysis, natural grouping of the available methods.

Brand Concept Map

Brand Concept Maps measure brand Associations called using Brand Network maps that help in answering following questions:

- Which brand associations are more important?
- Which brand association is directly or indirectly linked to the brand?
- How can stronger associations and inter-relations be built?

__Steps in creating Brand Concept Maps__

The three stages in the creation of brand concept maps are:

1) *Elicitation* - It is related to eliciting answers to questions and brand associations from the customers. Responses may be open ended like response to : " What do you associate with Lux?"
2) *Mapping* – In the mapping stage consumers use the set of brand associations to make a network map of how they see the brand. Respondents view a concept board which contains a separate card for each association selected from the elicitation stage.
3) *Aggregation* – The aggregation stage involves aggregating individual brand maps to produce a consensus map of how consumers see the brand. Two measures are used to produce the consensus map: frequency of mention of each association and number of interconnections fou8nd between brand associations.

15.6 Strength of Brand Associations

Once the initial set of associations is formed, it is likely that further exposures to the same brand name would strengthen these associations. These exposures may be through advertisements or actual product experiences. Each exposure to the brand name would activate both the brand node and the linkages that have already been formed and would strengthen these associations. Not every association may be activated with equal strength on each activation of the brand node. Only those associations that are relevant would be activated and become stronger.

For example, if a consumer has the associations of Ronald McDonald, having fun and good service for the McDonald's brand name, and the consumers brand node for McDonald's is activated in a service context, i.e., when buying something at McDonald's, the association of Ronald McDonald or having fun may not be activated, and only the association of good service may be activated. Such selective activation may lead to a strengthening of the good service association only and not of the Ronald McDonald or having fun associations. Thus, we can see that certain associations or sets of associations may be activated with specific experiences. We can also infer that it may be possible to deliberately activate specific sets of associations and not all of the associations at all times. Thus, over a period of time, consumers could develop associations that vary in strength and type.

15.7 Content Based Classifications

Aaker (1991) contends that brand associations may be classified based on content into 11 different groups. The proposed groups are

- celebrity/person,
- life style/personality,
- product class,
- competitors,

- country/geographic area,
- product attributes,
- intangibles,
- customer benefits,
- relative price,
- use/application, and
- user/customer.

However, so far this proposed classification has not been tested empirically. Of these groups, some like product attributes, customer use/application and customer benefits could be thought to consist of product class related associations and the rest of the groups to consist of non-product class related associations.

Product class/non-product class related classification may also be compared to the context independent and context dependent characteristics (Barsalou 1983) where the context independent characteristics would be similar to the product class related associations and the context dependent characteristics would be similar to the non-product class related associations.

Product class related brand associations are defined as those associations directly linked with the attributes or characteristics of the product. Examples of product class related brand associations would be easy to use, durability, etc.

Non-product class related associations are defined as all the associations not linked to the attributes or characteristics of the product. These may include association groups like intangibles, life style/personality, etc. The focus is on associations that link the brand to a general rather than specific benefit that can be obtained because the brand possesses a specific attribute.

The first step would be to identify all the different associations that consumers actually possess. It should then be possible to classify these associations into *product* and *non-product related groups* based on whether the associations are directly related to the performance of the product or not. This leads us to our first proposition:

When a brand is being considered for line or brand extension, the groups of brand associations and their strengths may play an important role in how the extensions are evaluated. In terms of the associative network model (Anderson 1983), the strength of the brand association in the consumers memory would be the strength of the association between the brand node and the association concept node. A brand having strong product class related associations would indicate that consumers have associations linked to the actual use or performance of the brand and also that the brand is perceived to represent the product class quite well. This strength of association may make it difficult to extend the brand to another product class as consumers may still associate characteristics of the parent product class with the extension product class and this may lead to some confusion. However, this strength may be extremely useful in extending the brand within the same product class, but to another segment of consumers using line extension.

If consumers already have strong product class related associations, it may be more efficient and effective for the firm to consider line extensions. On the other hand, a brand with stronger non-product class related associations may indicate that the brand is not very closely linked to the product class and may, therefore, be easier to extend to another product class using brand extension. The classification of brand associations into product class and non-product class related associations may be used as a basis to initially decide on the growth strategy that the brand may be able to pursue. If a particular product class association or group of associations becomes strong, consumers may even base their purchasing decisions on that association (Aaker 1991). If the product class related brand association of "roller coasters" becomes extremely strong for the Disney brand name, consumers may expect all Disney brands to possess that particular brand association. This may limit the Disney brand name to consider pre-dominantly line extensions with "roller coasters" as an important physical attribute. If the company were to consider brand extension, consumers may try to transfer some of the strongly held product class related brand associations to the extension brand, creating a situation of poor fit between the extension brand and its product class.

Consumers may be influenced by groups of associations in different ways. The user/customer group of associations may indicate the typical user of the brand, and if the consumer identifies with that particular group, then these associations may have a positive influence on brand extension evaluations. On the other hand, if the consumer has no reason to associate with that user group, then there may be no influence or there could even be some negative influence. Brand extensions to other product classes associated with the same user group may be favorably perceived by the customer. Similar results may be possible with any of the different groups of associations. Any or a combination of the association groups may be used as a basis to develop possible brand extension opportunities.

For example, if McDonald's found that consumers had high strength on a particular group of associations (the intangible group of associations, say), it may become important to focus on this group of associations when considering extensions. If we compare the product class and non-product class related associations with context independent and context dependent characteristics (Barsalou 1983), it may be possible to think of non-product class related associations as being not too strongly linked to the characteristics of the product class. If the non-product class related brand association of "having fun" is strongly linked to the Disney brand name, consumers may expect all other Disney products to have a similar association. This gives Disney a broad range of product categories to choose from when they consider extending into other product classes. On the other hand, if there is a strong association with the type of people who use the Disney brand name, this provides different types of products into which the Disney brand name can be extended. If the company were to consider line instead of brand extension, the lower strength of the product related brand associations may not provide the necessary additional benefits of staying in the same product class. This leads us to our third proposition:

Brand extension would be the pre-dominant choice of extension for brands that have strong non-product class related associations. The above three propositions provide us with a general idea of the direction that a brand may use to pursue its growth opportunities. However, these propositions still do not clearly show the type of brand or line extension that may be successfully used by a brand. In order to determine this, the brand manager has to be able to analyze the individual brand associations for strength and other characteristics like favorability, etc. Associations that are strong and favorable are more likely to indicate opportunities for the brand to utilize for growth and, therefore, it becomes important to be able to measure these characteristics.

15.8 Summary

Brand association is anything which is deep seated in customer's mind about the brand. Brand should be associated with something positive so that the customers relate your brand to being positive. Brand associations are the attributes of brand which come into consumers mind when the brand is talked about. It is related with the implicit and explicit meanings which a consumer relates/associates with a specific brand name. Brand association can also be defined as the degree to which a specific product/service is recognized within it's product/service class/category. While choosing a brand name, it is essential that the name chosen should reinforce an important attribute or benefit association that forms it's product positioning.

15.9 Self Assessment Questions

Q1. Pick a brand of your choice and delineate the various factors that have contributed towards building its brand association.

Q2. Consider the factors important for building brand association for mobile phones and TV sets. Will they be same/different and why? How will this vary for soaps and MP3 players?

Q3. What do you understand by the term Association? A company needs to develop strong Brand association. Elucidate

15.10 Reference Books

- Kevin Lane Keller: Strategic Brand Management Pearson Education, 2011.
- Kirti Dutta: Brand Management- Principles and Practices, Oxford University Press, 2012
- Moore William L., Pessemier: Product Planning & Management, McGraw Hill International.
- Lehmann: Product Management; Tata McGraw Hill International, 2005.
- Tycott, Paul: Innovation Management and New Product Development, Pitman, London, 2013.

Unit - 16 Brand Revitalisation

Structure of Unit

16.0 Objectives

After completing this unit, you would be able to:

- Understand the concept of brand revitalisation.
- Analyse the reason for a brand to lose its vitality and go for brand revitalisation.
- Appreciate the importance of a strong brand and understand various brand revitalisation measures.
- Understand the different aspects of brand revitalisation.
- Comprehend the disadvantages of revitalisation of a brand.
- Make note of a few rules and tips for better brand revitalisation.
- Recognize the basic rebranding mistakes.

16.1 Introduction

Brand is the key to a company's long-term survival and market leadership. Accountants and auditors the world over calculate the value of brands when determining book values on the company balance sheets. In the case of strong brands, the brand can be 70% - 90% of the stock market value (intangible assets). Rebranding is a complex process and should not be engaged lightly. Handled badly it can be damaging to business. Equally in the words of a Chinese proverb "if you do not plan for the future, you will get the one that shows up" and successful rebranding, relaunching and revitalisation adds significantly to a company's long term success.

The strategy employed when a brand has reached maturity and profits begin to decline; approaches to revitalisation may include one or all of market expansion, product modification or brand repositioning. The strategy to recapture lost sources of brand equity and identify and establish new sources of brand equity is known as Brand Revitalisation. This may include product modification or brand repositioning.

A brand revitalisation is required to:

- Adjust to changes in the marketplace in order to remain competitive and relevant
- Clarify the leadership position and business direction
- Respond to new or increasing competitive threats
- Unify separate company cultures after a merger or acquisition
- Solidify the relationship of the parent brand to its subsidiaries
- Refresh and rejuvenates brand to keep in step with the current cultural tastes.
- Respond to a name change

Change is always the catalyst that drives brand revitalization. Drivers of change could be increased competition, market or industry trends, business acquisitions or expanding product lines. But whatever is driving the change; the company can revitalize its brand by clarifying and simplifying the brand's promise then consistently communicating it at every customer touchpoint. This makes the brand different and gives customers a stronger, more compelling reason to do buy it.

Importance of Revitalisation

It is very important to note that revitalisation:

- Ensures a lasting customer relationship based on trust
- Tells customers they are different and converts their mindshare into marketshare.
- Improves recognition in a cluttered marketplace
- Increases the ability to command a premium price
- Provides a point of difference between similar products
- Reduces perceived risk
- Gives the perception of quality and credibility
- Encourages customers to use other products from the same brand
- Gives employees a clear definition of business and provide a common goal to achieve
- Attracts and retains the best talent

16.2 Different Aspects of Brand Revitalisation

Brand revitalisation can be as small scale as some subtle changes to the company or product graphics e.g. brand identity, packaging tweaks, sales literature updates, vehicle livery, staff uniforms and website refresh or as major as a full blown name and culture change affecting both the intangible and tangible aspects of the brand.

Revitalisation can be categorised to include one or a combination of all the items listed:

- New brand name
- Brand identity (brand logo), trademark, tagline or slogans

- Graphics, brand imagery, online presence i.e. website, Facebook pages etc.
- Company or product livery, uniforms, stationery, digital presentations
- Packaging
- Product displays, exhibition stands, signage & wayfinding systems
- Exterior and interior design
- Advertising, on and offline
- Movies, video and show reels
- New product launches, differentiations, extensions or enhancements
- A change in brand profile, values, mission, goals, story, message, promise, offerings, personality, emotion, behaviours, tone of voice, culture, brand experience, customer care
- Potential change in target market, brand positioning, brand architecture

16.2.1 Brand Revitalization Measures

The various measures for brand revitalisation may be explained as given below:

- Increasing Usage: It is all about reducing doubts associated with more or frequent user, providing incentive to use the product frequently, to ensure higher use by consumers and to introduce new users.
- New Markets: This includes reaching out to markets that have not been explored before and to also investigate new market segments.
- Image Change: Image change comprises of adding new association when existing associations become obsolete or when associations wear out because of frequent use.
- Brand Enhancement: It is all about adding new valued differentiators like service (Indian Airlines), feature (Surf), availability (Maruti) and guarantees. It also includes value disciplines like innovation (Sony), intimacy (IBM) or operational excellence (Dell Computers).

16.3 Reasons of Decline in Brand Vitality

The causes of brand vitality decline are typically linked to such phenomenon as inferior product and technology strategy, a short-term financial focus that pulls investment away from the business, and flawed brand strategy. Individual causes include:

- **Technology Obsolescence**: New technologies leapfrog old ones. Unfortunately, it's common for a technology leader in one decade to see its leadership position fade in the next. **Clayton Christianson** wrote a famous Harvard Business Review case study profiling the decline of the rigid disk drive industry, for instance, but there are countless similar cases. In fact, it's almost impossible for a company that led in one decade to extend its leadership position into the next. That's because companies have an inherent bias not to disrupt their own technology – even when superior technology exists elsewhere. When that occurs, the superior technology usually wins.

- **<u>Business Reframing</u>**: Many companies have experienced new competitors reframing their business. One minute they're a market leader. The next, the category has shifted and their business has been reframed. In the U.S. yogurt category, for example, reframing is happening now and leading manufacturers like Dannon and Yoplait are scrambling to adjust. Several years ago, Greek yogurts entered the market, offering consumers a less sugary, fruitier, higher protein option. Greek yogurt brands like Chobani, Fage and Noosa have reframed the category around new nutritional dimensions and their business results are surging, while mass marketing brands are seeing their brands lose some relevancy.
- **<u>Lower Cost Entrants</u>:** You may be surprised to learn that the number one smart phone manufacturer in the world is Samsung, not Apple. Most technology reviewers believe Apple makes a better product — so much so that Samsung was one of several manufacturers that allegedly knocked off. Apple's intellectual property in creating its offering (the two have been in court for years). But Samsung smart phones sell for some $200 less than Apple's and that price difference drives many consumers, especially in developing countries and in a US market still recovering from the great recession.
- **<u>Cost Reduction Beyond Reason</u>**: In recent years, many brands have chosen to hit financial targets by shrinking costs. While there's nothing wrong with cost cutting, there is a long-term consequence if cost cutting equates to shoddy quality. In the 1980s, for example, the US auto industry almost became extinct due to declining quality and reliability. But the industry turned itself around, with help from US taxpayers, and dramatically improved its cars. Today, the phrase, 'Made in America' is meaningful again, and its spelled positive business results for companies such as Ford Motor (a revitalized brand).
- **<u>Trend Misalignment</u>**: Consumer-driven trends can put unsuspecting brands on the ropes. This often occurs when brand leaders are aware of a trend but deem it inconsequential to hitting short-term targets. Once a rising trend goes mainstream, however, it can't be ignored and companies begin taking action, frequently too late. This behavior is evident in many industries. For example, food manufacturers are seeing a backlash against the ingredient, high fructose corn syrup, due to obesity and the concept of "empty calories". Multinationals like Kraft and Pepsi are in a race to adjust their brand and product portfolios, lest consumers adopt healthier products. Of course, these and other market leaders were aware of this trend. But they didn't do anything significant while the trend was small.

- **Losing a Customer Connection:** Strong, even beloved, brands can lose touch with customers quickly if they don't stay hyper-focused on understanding the target. Customer needs evolve quickly, and shelf life can't be taken for granted. Even if the company knows with certainty how to profile the buyer, and even if it has a 'winning' product, it cannot afford to lose sight of how factors like economy, increasingly competitive store brands, market conditions, and other dynamics impact the customer's path to purchase. So it's critical to unveil insights about the customer by regularly dipping into their world—with branding tools like social media, co-creation and transactional learning—by hearing from them first-hand, and bringing to market the products they want to buy.
- **Marketing Missteps**: Finally, many brands find themselves in need of revitalization due to marketing missteps. The most visible form of advertising here is "bad" advertising – advertising that does nothing to establish a point of difference or drive brand preference. Marketing missteps are almost always rooted in a flawed brand positioning strategy.

16.3.1 Reasons for Revitalisation of a Brand

The reasons for revitalization of a brand, rebranding and or relaunching a company's, product or service are numerous and should not be taken on lightly without sound strategic reasons for engaging in the process.
Brands are constantly evolving to ensure they keep abreast of changing needs in the market place. It's the level of change required that is the critical issue. A brand audit and market research will help assess the rate of change required amongst other things.

Even some of the greatest brands in the world need revitalization or rejuvenation. Brands like Guinness, Coca-Cola and Kellogg's are iconic, global in their status. Yet when their market leadership over the decades is reviewed, it can be seen that they have all changed even if it has been in a more evolutionary sense over time, rather than radical overhauls. However some branding does require an extensive change in order for the business to achieve the required regeneration for growth and profitable returns.

Revitalisation maintains and celebrates the history and heritage of the brand but shows its target audience (current and future) that the brand is adaptive to change. Change is necessary to stay relevant to the times in which a brand exists and to ensure its future success.

Some of the reasons for rebranding, relaunching and revitalising a brand include the following:

1. **Relevance**: Brands need to stay relevant to their target market, to keep up with the times and keep pace with changing customer needs (e.g. services, accessibility, convenience, choice, changing trends, technology). A brand that has become old-fashioned in the eyes of its audience is in danger of stagnation if not already in a state of erosion and loss of market share.

2. **Competition**: In a fast moving environment with aggressive competition, revitalization of the brand may be required to change the offering to the market in order to create a more compelling reason to buy in the minds of the target audience. Rebranding can be used as a means of blocking or outmaneuvering competitors or a way of handling increased price competitiveness.
3. **Globalisation**: Sometimes revitalization and rebranding is required because of globalisation where the same product sold across multiple markets is inconsistent or different. For example, Marathon's change to Snickers, Opal Fruits changed to Starburst, Jif's change to Cif, Binaca changed to Cibaca, Sakura to Konica etc.
4. **Mergers & Acquisitions**: When two entities combine there are typically two unique audiences left to communicate with. Sometimes this can require a rebrand or relaunch in a way that will appeal to both. In other cases one of the brands may be more dominant requiring more of a revitalisation or refresh with it becoming the sole dominant player. For eg. Lakme (Tata’s to HLL)
5. **Innovation**: Technology is constantly evolving and the rate of change often exponential. If a brand is technology related e.g. internet, software, hardware and the product offering constantly innovating then a rebrand frequently follows the natural and fast rate of change. Rebranding or revitalisation becomes an outward expression of the companies evolution and ensures the brand's change hungry customers keep coming back to see "what's new".
6. **Repositioning:** Taking a brand to a new position is an involved process e.g. from an economy price fighter to premium position, and invariably requires a rebrand to signal a change in direction, focus, attitude or strategy to its target market. Revitalization and rebranding may be used as a means of blocking or outmaneuvering competitors or a way of handling increased price competitiveness.
7. **Rationalisation**: Rebranding can be used to decrease business development and operational costs, or a way of countering declining profitability or consumer confidence. It can also be used where there are complex and sometimes confusing mixes of product portfolios which frequently undermine the brands impact, (along with considerable advertising, branding clutter and media proliferation) all of which causes brand incongruence and audience fragmentation and consequently badly needs consolidation through rebranding to achieve brand impact and strong growth again.
8. **Outgrowth**: When small companies grow into bigger entities they and/or their products frequently require a rebrand or revitalisation to meet the needs of the bigger business. Typically smaller companies start with more modest brand offering, due to budget restrictions, which are inadequate to meet the needs of a bigger more sophisticated business and a rebrand is required.

9. **Legal Requirements:** Occasionally legal issues may arise that require a company to make changes to their branding such as copyright issues or bankruptcy e.g. similarities between naming and designs. For example The Jelly Bean Factory became The Jelly Bean Planet in Ireland to ensure differentiation from the USA brand Jelly Belly.
10. **Morale & Reputation**: If a company brand has demoralised employees or confused customers then a rebrand may required. A thorough rebrand process will work to unearth the issues that need addressing and could be solved through key changes, including a completely new look and feel to the organisation. A rebrand in this instance can improve a brand's competitiveness by creating a common sense of purpose and unified identity, building staff morale and pride, as well as a way of attracting new customers, enhancing relationships with existing customers and attracting the best talent to the business.

16.4 Brand Revitalisation Process

The steps below explain the multi-dimensional process that can be used to revitalize brands. To succeed, it requires the dedication of a cross-functional team and the backing of company leadership. A brand revitalization team that follows these seven steps has much better odds of success than a team that takes a more one-dimensional approach to problem solving.

Step 1: Agreeing on the problem - Denial is bad business practice. First it is necessary to unanimously agree that there's a problem, then it should be defined, aligned, measured, and developed so as to clarity around what's causing the problem. If it's unclear why customers are less enthusiastic about the brand than they used to be earlier, then Step 1 has to include a customer insight research step.

Step 2: Negotiating the time horizon to fix the problem - Since the problem(s) leading to declining vitality were not created overnight it's reasonable to assume they cannot be fixed overnight. While management may want the problem fixed quickly, the leader of a brand revitalization initiative has to negotiate a reasonable time frame for improving the business as well as agreeing on how that improvement will be objectively measured.

Step 3: Acquiring Resources - Declining brands are often resource poor but three resources will needed to be acquired before the firm can successfully proceed. Time, money and freedom is needed to turn a brand around. Hence judicious time should be allotted for developing a turn-around strategy and the executing it. A budget will be required to fund strategic communications work and, potentially, a disruptive innovation process to identify growth opportunities. Freedom is an overlooked but important dimension of brand revitalization. Company leaders must grant turn-around teams a high degree latitude to re-think the brand and business and to work outside the company's systems if need be to develop solutions.

Step 4: Aligning with Trends - When businesses are misaligned with marketplace trends they must take bold, decisive action and should be willing to change the way they conduct business. Without trend alignment, it's difficult for a mature business to grow because it faces a steady headwind. There are many examples of business leaders failing to respond to market shifts. For example, Blockbuster failed to respond to Netflix's home delivery model in a timely manner. Consumers vastly preferred the Netflix model to driving to Blockbuster stores to pick up and return movies. It took Blockbuster years to respond to the preferred offering. By then, it was too late. In late 2010, after buckling under nearly $1 billion in debt, Blockbuster filed for Chapter 11 bankruptcy protection. The company was later sold.

To understand the brand's proper alignment with trends, these trends need to be identified and mapped. Once, where a market is heading has been mapped, a trend scorecard can be used to assess how a brand is advantaged or disadvantaged by relevant trends so that where to place strategic focus is known.

Step 5: Hiring Winning Technology - If a brand's underlying technology is inferior or facing technology obsolescence, the business disadvantage is enormous. Company leaders have to back winning technology, even if it means adopting new platforms. This is obviously most critical in tech industries where companies struggle to maintain market leadership from one decade to the next. For example, in the mobile phone industry, Nokia and Erickson failed for years to offer a quality smart phone because both were unwilling to switch from the Symbian operating system. This allowed manufacturers like Apple and Samsung to dramatically leap frog in functionality. Despite market leadership in the pre-smart phone era, both Nokia and Erickson are seeing market share erode today. This business outcome is rooted in the decision to stick with an incumbent technology platform, when building or adopting a new one was required to remain competitive. By failing to realize it was time to invest in disruptive innovation, company leaders put the future of both companies at risk.

Step 6: Reframing the Brand Strategy - Brands experiencing a loss of vitality must fundamentally be given a thought that what their brand promise is to customers and be prepared to tap into customer insights to update a brand's look, feel and key messages. The brand revitalization process almost always includes brand repositioning. And, when considering repositioning, many marketers make the mistake of focusing on a brand's features and benefits when they would be better advised to look at the bigger picture and what we'll call a brand's frame of reference. Frame of reference considers the competitive set you want your brand to be compared to and forces marketers to consider the all-important question, "what business are we in?" For example, when the home cleaning brand, Kaboom was first launched, it adopted a narrow frame of reference as a "porcelain, tile and grout cleaner". The product technology worked well but cleaning grout wasn't something consumers did very often and that resulted in weak retail sales. Through market research, it was discovered that loyal Kaboom users were applying the product throughout their entire bathrooms so Kaboom as reframed a "shower, tub and tile" cleaner. Sales took off and the brand experienced a seven-fold increase in volume. Kaboom went on to become an important growth business for Orange Glo International.

Step 7: Developing Effective Marketing Communications - Reframed brands need to invest in sustained marketing communications to evolve customer perceptions and establish relevancy to younger consumers. While the "look" of the brand is critical, it isn't enough to refurbish the logo, trade dress, website or package design and call a brand "revitalized". Company leaders have to have the appetite for a sustained investment in marketing communications, including traditional advertising, digital marketing and social media. In recent years, noteworthy brands like Coors Light, Geico and Capital One have used differentiated marketing communications efforts to seemingly come out of nowhere and grab significant market share. Each demonstrates the power of effective marketing communications placed behind strong product offerings.

16.5 Six Rules for Brand Revitalisation

Brands do not die natural deaths. However, brands can be murdered through mismanagement. Some brands are beyond hope -- but others can be revitalized. Although it is not easy. But it is well worth the effort. For a brand to be successfully revitalized, everyone needs to be on the same page. Then they must follow the six rules of brand revitalization listed here. This "Plan to Win," as we call it, is built around the eight P's: purpose, promise, people, product, place, price, promotion and performance. Following are a few principles and practices that have been developed over the years.

- **Rule 1: Refocus the organization -** Refocusing the organization begins with redefining the brand and business purpose and goals. The brand purpose should be aspirational. At McDonald's, the long-term ambition is said "to be our customer's favorite place and way to eat and drink." But for the first three years, the primary focus was on becoming the "favorite place."
- **Rule 2: Restore Brand Relevance -** The brand promise is an articulation of the relevant and differentiating experience that the brand will deliver to every customer, every time. Brand revitalization means defining where the company wants the brand to be and then deciding how to get there. Over the years, the essence of the McDonald's brand was the perception that it was an affordable, convenient brand for families with kids. There were those who said that equity could not and should not be changed. But McDonald's set out to change people's perceptions and go from appealing to the child to appealing to those with a 'young-adult spirit' at heart.
- **Rule 3: Reinvent the Brand Experience -** To revitalize a brand, the redefined brand promise should be brought to life. This is what the five action P's are all about. The five action P's are people, product, place, price and promotion.

  People come first. Building employee commitment to the new direction, employee confidence and organizational and employee capabilities are critical factors that influence future success. And it's imperative to inspire those in the organization to believe that the new brand future will happen and that they can help.

  Product is the next P. Products and services are the tangible evidence of the truth of the promise. When we redefine the promise, product and service renovation and innovation are imperative.

A disciplined approach to brand extension can revitalize and strengthen a brand. McDonald's extended its product range to include products such as salads, yogurt parfaits and coffee.

Place is the face of the brand. Whether a store, a website, a retail display, a kiosk or wherever the "place" may be, the experience must be consistent with the intended brand direction.

Price comes next. The launch of the McDonald's Dollar Menu created an everyday-low-price list of items and enabled the brand to significantly reduce marketing emphasis on on-and-off discounting. Over-emphasis on deals and discounts builds a deal loyalty rather real loyalty.

Promotion comes next. In September 2003, a new global campaign was launched in 119 countries. The common signature theme was "I'm lovin' it," supported by a distinctive set of five musical notes. The character of the communications was designed to reflect the new young-adult spirit of the brand. The following year, McDonald's adopted its first global packaging approach. It's the longest-running theme in the history of the brand.

Whether advertising, special events, public relations, online, cause marketing, sponsorships, Olympics, World Cup or other forms of communication, the goal was to be consistent with the new McDonald's brand promise. Disconnected, monthly promotional messages and tactics destroy brands.

- **Rule 4: Reinforce a Results Culture -** Measuring and managing performance is another P. The McDonald's 'Plan to Win' included three-year, measurable milestones. Creating a result culture means it is important to produce the right results the right way. A balanced brand-business scorecard should include measurable elements such as brand familiarity, brand reputation, employee pride, customer-perceived value, brand loyalty, sales, share and profit.
- **Rule 5: Rebuild Brand Trust -** In this skeptical, demanding, uncertain world, trust is a must. As part of revitalizing a brand, rebuilding trust is critical. Investment in rebuilding trust is an important, challenging marketing imperative. There is demand for more openness, more social responsibility and more integrity. Over the years McDonald's invested in building trust -- Ronald McDonald House, environmental responsibility, commitment to employee diversity, local community activities. As the concern with healthful living has grown, so has McDonald's commitment to providing appropriate choices -- for example, salads, apple slices, yogurt parfait, water, juices and milk.
- **Rule 6: Realize Global Alignment -** The power of alignment is awesome. During brand revitalization, we often talk about the need to get everyone on the same page. But we rarely, if ever, define the page we want everyone to be on. That's the purpose of the one-page Plan to Win, the one-page document that summarizes the eight P's and the desired outcomes.

Brand revitalization needs the courage and perspective of strong leaders. Jim Cantalupo of McDonald was a decisive, committed leader providing clear direction and priorities. Charlie Bell, chief operating officer, was not only a great communicator, his positive attitude was infectious. They were the leaders who led the creation and launch of the far-reaching McDonald's Plan to Win. The vision and positive momentum initiated by Cantalupo and Bell continues to produce results even in a difficult economic environment.

16.6 Mistakes to be Avoided

Revitalising should not be the matter of logo, stationery or corporate colours in isolation: Effective revitalisation encompasses both tangible and intangible elements, a large part of what has been listed previously e.g. target audience, customer experience and perception, product quality, look, feel, online and offline environments, customer facing staff, the tone of all communications both visual, auditory and written etc.

1. Cling to the old only if it has key brand provenance that it is still relevant to the current target market: Powerful revitalisation means being connected to what really matter to the customers. It should not be assumed that because it worked in the past it would be still relevant now. Research, review may analyse changes in the target market indicating new opportunities for repositioning, expansion or revitalisation.

2. Existing brand equity and goodwill should not be overlooked: Ignoring brand equity when rejuvenating can alienate existing customers and potentially damage a brand's perception. A massive overhaul may be excessive when a smaller evolution would be more appropriate. Company should ensure that the product or service is fully up-to-date on the mindset and needs of the target market before engaging in the process.

3. Customer's Feedback cannot be ignored: Hire a secret shopper with a profile that matches the target market and have them engage with brand at all relevant touch points. It can be very revealing and is an essential aspect of the revitalization and rebrand research and analysis.

4. Rejuvenating without research could be suicidal: It is vital to know about the current and prospective customers (needs, wants, loves, hates, behaviours etc.), their compelling reason to buy. These interpretations should be front of mind when creating new solutions and revitalising old ones too. They are the ultimate litmus test.

5. Revitalisation of brand without a well thought out plan may end up in mishap: Revitalization requires clearly defined briefs to keep everyone on track as the project evolves. Plan should include every aspect of the rejuvenation e.g. situation analysis, objectives, target markets, budget, resources, time frames, appointed

project leader, known parameters, approval structures, stakeholders and metrics for assessing results.

6. The Basics should not be overlooked: Having a stunning website, market materials, physical environment or amazing product solution is wasted if the fundamentals of the customer services are not in place. Equally if the brand purchasing or processing experience falls short, the brand becomes undermined. All the customer touch points and basic interactions should be kept in mind when rejuvenating brand.

7. Feedback from customer facing staff should not be ignored : The staff who interact with the customers on a daily basis can yield valuable information and insights into the target market. This is where customers are typically at their most candid and the information garnered from the real world is just as valuable if not more in some cases, then other forms of research.

8. ‘Not me’ is dangerous: Every brand needs revitalising to stay relevant as markets evolve whether the brand is a global multinational or smaller national brand, even non-profits and artisan brands are not immune. Like larger brands, smaller brands have target markets, positions etc. that need to be kept relevant and enhanced. They too have to move with the changes of their market and customer preferences or disappear into the mists of time.

16.6.1 Disadvantages of Revitalisation

While the debate, in term of pros and cons, on whether to rebrand or not can be as complex as the process itself, the following reasons of not to rebrand are largely worth reflection too.

1. A young brand: If a brand has only been on the market a short time e.g. 3 years, bearing in mind time can be measured differently depending on the market/industry, then it's probably premature to revitalize brand. It takes time to build a brand and evolve it into something authentic and meaningful to its target audience. Rejuvenating to "sell" more in such instances might be better served by a different approach to marketing or a new campaign unless the existing brand solution is very flawed.

2. Change for the sake of change: It's not a good idea to rejuvenate and just because "you want to" or because somebody wants to stake their next career move on revitalization of brand. If there is no compelling commercial reason e.g. new innovation, behaviours, culture and all the other reasons mentioned above, then the target audience will be left with an empty experience. On top of that lot of money would be wasted.

16.7 Summary

The strategy to recapture lost sources of brand equity and identify and establish new sources of brand equity is known as Brand Revitalisation. Brands lose vitality due to reasons like technology obsolescence, business reframing, lower cost entrants, cost reduction beyond reason and many more. It is very important to understand the reasons and the significance of revitalisation because brands are constantly evolving to ensure they keep abreast of changing needs in the market place. Also, the seven step revitalisation process starting with identifying the problem and ends with developing the effective marketing communication.This process also has the disadvantages of not rebranding a young brand and changing for the sake of change. Successfully revitalizing a brand requires the efforts of a multi-disciplinary revitalization team, empowered by company leaders to make considered holistic changes to the business. To successfully complete their task, leaders must grant the team time, money and freedom. And leaders must be prepared to make technology bets and sustained commitments to marketing communications. Otherwise, it's unrealistic to expect a turn-around in business results.

16.8 Self Assessment Questions

Q1. Explain, in brief, the concept of brand revitalisation and also state the reason as to why brands lose their strength.

Q2. Enumerate the importance of a strong brand.

Q3. Give details of the seven step process of brand revitalisation.

Q4. What are the different aspects of brand revitalisation?

Q5. Explain the six rules of brand revitalisation.

Q6. What are the disadvantages of revitalisation of a brand?

Q7. Explain the reasons for revitalisation of a brand.

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Unit - 17 : Global Branding Decisions

Structure of Unit

17.0 Objectives

After completing this unit, you would be able to:

- Understand the concept of global branding;
- Know the rationale of going global;
- Point out the disadvantages of global branding;
- Learn various global branding strategies;
- Learn how to give names to the brands;
- Learn how to build global brands;
- Understand how country of origin affects global brands.

17.1 Introduction

Brands are major assets for any company, whether local or global. Small firms build and develop brands for local markets whereas big multi national companies build and develop them on global landscape. Earlier brands were not considered assets. They were merely manufacturer's name, signature or picture on a product or its package. With the passage of time their value became apparent and companies starting taking branding seriously.

It is, however, not an easy task to build global brands. It requires appropriate planning, production, marketing, co-ordination and control. Once the brand is built for global markets the next important task is to sustain it over the years and build brand equity. Companies also have to choose from a number of branding strategies. Whether to develop single or multiple brands? Whether to go for private or manufacturers' brand? And so on. If a company succeeds in its efforts then it can get many benefits in short and long run. Company will enjoy more sales and hence more profits, better image and loyalty, economies of scale in both production and marketing, and more control. This lesson is an attempt to understand various aspects of global branding.

17.2 Concept of Global Branding

A global brand is defined as the worldwide use of a name, term, sign, symbol, design, or combination thereof intended to identify goods and services of one seller and to differentiate them from those of competitors. Much like the experience with global products, there is no single answer to the question of whether or not to establish global brands. There is, however, little question of the importance of a brand name.

A successful brand is the most valuable resource a company has. The brand name encompasses the years of advertising, goodwill, quality evaluation, product experience, and the other beneficial attributes the market associates with the product. Names such as Sony, IBM, Xerox, Philips, Coca-Cola are known everywhere around the world. Such brand familiarity can be, and most often is, an additional product feature. Due to this additional advantage, some products can enter world markets very easily. Consumers in these cases may think that it is a lesser risk to buy such a well-known brand, particularly because they are familiar with it. Additionally, the ownership of some of these brands is a status symbol in many parts of the world. It may give consumer, additional satisfaction through pride of ownership. Building brand equity, therefore, is very essential if a firm decides to go international.

A global brand gives a company a uniform worldwide image that enhances efficiency and cost savings when introducing other products associated with the brand name, but not all companies believe a single global approach is best. Multinationals such as Nestle, P&G, Unilever, and Gillette have some brands that are promoted worldwide and others that are country specific. Even Coca-Cola has some brands like Limca, and Thums-Up only for India as it acquired the same from Parle, while Coke and Fanta are global brands.

Actually the companies that already have successful country specific brand names must balance the benefits of a global brand against the risk of losing the benefits of an established brand. The cost of reestablishing the same level of brand preference and market share for the global brand that the local brand has must be offset against the long-term cost savings and benefits of having only one brand name worldwide.

In those markets where the global brand is unknown, many companies are buying local brands that consumers want and after revamping, and repackaging are finally relaunching them with a new image. Unilever (HUL) bought many products and brands like Hamam, Rexona, Moti and Kissan in India and re-launched them to find its market share zooming.

17.3 Rationale for Going Global

A number of well known global brands have derived much of their sales and profits from non-domestic markets for years, for example, Nescafe, Shell, Sony, Toyota, Nokia, to name a few. Many brands such as Xerox, Coca Cola etc. have become generics in many countries. The success of these brands has provided encouragement to many firms to market their brands internationally. A number of factors have contributed to the growing interest in global markets. Some of these are:

- Perception of slow growth and increased competition in domestic markets.
- Belief in enhanced overseas growth and profit opportunities.
- Need to diversify risks.

- Encashing the brand image overseas.
- Global mobility of customers.

Global branding is good option, especially in case of luxury products like luxury car, watches, jewelry, fashion accessories etc. as market for these products is very small in every country. However, at global scale market becomes sizeable. Companies may also standardize a few marketing mix tools to take benefits of economies of scale.

Standardized marketing programme may be offered in case of global brands. This may reduce marketing costs. Economies of scale in production and distribution may also be realized in case of global brands. Uniformity in packaging, advertising and other promotion mix tools will reduce overall costs. Maintaining a common marketing platform all over the world helps to maintain the consistency of brand and company image. Marketing same brand all over the world will improve co-ordination and provide greater control.

A global brand profile may communicate credibility. Consumers may believe that selling in many diverse markets is an indication that a manufacturer has gained much expertise. This may enhance acceptance. The fact that the brand is widely available may signal that the product is high quality and convenient to use. An admired global brand can also signal social status and prestige.

Demand spillover is also an important factor favouring the global brand. Sales in one country generate demand in other. Media coverage spills over in new markets, and brand name becomes famous there. What people in one country buy are what people in other countries want? Satellite Television and internet has given impetus to this demand spill over. To capitalize on this spillover, the brand name needs to be same every where.

17.4 Disadvantages of Global Branding

There are a number of potential disadvantages of global brands. In case of global brands companies tend to offer standardized marketing and promotion mix programme. These standardized global marketing programme often ignore fundamental differences of various kinds across countries and cultures.

Due to the differences in cultural values, economic development, and other factors across nationalities, consumer behaviour with respect to many product categories and brands is fundamentally different. Price sensitivity, promotion responsiveness, sponsorship support, and other activities all may differ from country to country.

Products may be at different stages of their life cycle in different countries. Moreover, the perceptions and positions of particular brands may also differ considerably across countries. Relatively few brands are common in top brand lists of every country. This is because of different consumer perceptions.

Legal restrictions also affect brands and also their promotion campaigns. For example, you can not advertise prescription drug brands on television in many countries including India.

Global brands sometimes suffer due to negative country of origin image. For examples most of Chinese and Taiwan products are considered of having low quality. If any global brand originates from the countries like these, it may not be considered quality product.

Global brands are viewed and judged differently. Holt, Quelch, and Taylor (2004) in their article in Harvard Business review have concluded that people tend to judge global brands different from local brands. Three dimensions stand out. The most important is an assumption of quality; global brands seen as providing higher quality than local brands. Second, global brands naturally elicit a sense of belonging to the larger cosmopolitan world, a sense of global identity. Third, global brands are held to higher standards in terms of social responsibility. Failure on any count may result in problem and may, therefore, be seen in negative sense.

17.5 Global Branding Strategies

A firm has to first decide whether it should sell the product as undifferentiated, generic commodity or sell it in branded form. Selling an unbranded product reduces the cost of production, packaging, selling, and legal costs etc. Products like petroleum, diamonds, beef, agricultural produce, chemicals etc. are sold unbranded or undifferentiated. However, marketing of unbranded generic products fails to establish their identities in the market even after a long period of supply and it primarily competes on price parameters. Besides, generic products are highly prone to international competitive pressures and find it difficult to sustain their competitiveness in the long run. As such, there is no uniqueness, other than grade differential, that can be used to distinguish the offerings of one supplier from those of another.

Branding, on the other hand provides identity, helps in product differentiation, enhances brand loyalty, and provides a chance of premium pricing. It transforms, even a commodity into products. For example, salt is a commodity but Tata salt is a brand. Actually a product here is nothing but value added commodity and this bundle of added value also contain brand itself besides other attributes. Branding, therefore, is recommended not only for domestic but international markets also.

In the global context, the choice of branding strategy, however, get complicated due to the problem of nationalism, language, cultural differences, and customer preferences that vary with distinctive characteristics of each market. Despite the difficulties a company can choose from the number of branding options given below:

I) Global or Local Branding - The first thing a company has to decide is whether to go for global branding or not. Global branding involves additional cost of marketing, labeling, packaging, quality maintenance, and legal procedures. Global branding, however results in premium pricing, better identification, awareness, promotion, differentiation, customer confidence, brand loyalty and repositioning. Local brands, however, are developed for different markets or sometimes acquired from local manufacturers already present in a nation. Coca cola acquired Thums up and Limca brands from Parle, on its re-entry in India. Sometimes acquired brands are kept in the portfolio of the company and are treated as national brands, if their sales is up to the mark and sometimes they are gradually phased out in favour of global brand.

The advantage of local branding is that a company may use meaningful names and thus can create local identity. In some countries it results in lower taxes as some countries charge more taxes on global brands. Local branding gives them more flexibility in terms of quality and a company may use moderate or low quality low price strategy. Quick penetration in the market is possible by acquiring local brands. Local branding, however, results in diffused image and positioning.

II) Private Brand or Manufacturer's Brand - After opting global branding, the next thing for a firm has to decide is whether to go for private branding or to develop its own brand. Distributors' brands are normally termed as private brands. In international business trading companies, importers, and retailers etc. are considered distributors. Private branding relives the firm of the responsibility of building its own name, maintaining the quality standards, and the marketing cost, but it remain dependent upon the middlemen who prefer to make his purchases from the source which offer the lowest price. Many well known brands from companies like Hindustan Unilever Ltd., Nestle etc. are sourced from a number of unknown firms some of which are even in small scale sectors. Private brands, however, result in more profit margins for dealers.

For a company, private branding is a defensive strategy. Here distributor is not bypassed by the supplier. Distributor also commands more bargaining power and also more margins. By using a private brand, the manufacturer's product becomes a commodity, at least to the distributor. Manufacturer also losses control of how the brand should be promoted and equity built.

Opting for manufacturer's brand, of course involve additional cost and quality responsibility. It requires a company to establish its relationship with broad spectrum of customers and provide a sort of insurance of business which will pay in the long run. It, however, results in more brand loyalty and better control in distribution. Many loss making companies own sometimes valuable brands which when sold in the open market fetches price which in even more than the value of the tangible assets of such companies.

To choose between a private brand and its own brand depends on manufacturer's bargaining power. If the distributors are prominent and the manufacturer itself is unknown and anxious to penetrate a market, then the latter may have to use the former's brand on the product. But if manufacturer has superior strength, it can afford to put its own brand on the product and can insist that the distributor accept that brand as part of the product.

Private branding and manufacturer's branding is not necessarily on either or proposition. A compromise can often be reached to ensure mutual co-existence if desired, both option can be employed together.

III) Single Brand or Multiple Brands: The inter country differences in terms of customer segments determines a firm's decision to have a single brand for its markets or multiple brands for multiple segments. When a single brand is marketed by the manufacturer, the brand is assured of receiving full attention for maximum impact. This strategy results in enhanced marketing efficiency and reduced brand confusion. However, company gets a limited shelf space. This strategy is successful if market is homogeneous.

The firm may also choose to market several brands within a single market based on the assumption that the market is heterogeneous and thus must be segmented. Consequently, a specific brand is designed for a specific market. Multiple brands are suitable when firm wants to trade up or down because both moves have a tendency to hurt the firm's main business. If a company has the reputation for quality, trading down without creating a new brand will hurt the prestige of the existing brand. By the same rational, if a company is known for its low priced, mass-produced products, trading up without creating a new brand is hampered by the image of existing products. Multiple branding results in higher production, marketing, and legal costs.

IV) National Brands or Worldwide (Global) Brand: If the manufacturer decides to put its own brand, then the next problems which arise is of whether to use just one brand name worldwide or different brands for different markets. A single worldwide brand is also known as global brand. It has a number of advantages. Firstly, it provides maximum market impact, while reducing advertising cost. Secondly, it enhances status and prestige. Third, a worldwide brand provides a convenient identification, and international travelers can easily recognize the product.

A firm operating in international markets has to examine the size of potential markets and identify differences in various markets of operation. In case the size of a market operation is large enough to justify, the brand may be expanded to have worldwide coverage. If the manufacturer is unable to ensure uniform product quality across countries, it should consider national or local brands. National brands also overcome the problem of negative connotation and negative country of origin effect.

Perhaps the most compelling reason for creating national or local brands is because local firms may have already used the names that multinationals have been using elsewhere. In such a case, to buy the right to use the name from a local firm can prove expensive.

17.6 Brand Names

Brand names can come from a variety of sources, such as from a firm's founders (for example Michelin, Pierre Cardin, Georgio Armani, Tata); places (For example KFC); and letters and Numbers (For example IBM, ICICI). Giving name to a product is more an art and less science. Creativity here is important. One thing is sure that it must be distinctive and unique. A unique name often renders itself to graphic design possibilities. (For example, Apple). Firms, however, may first use any of the following strategies in choosing brand names:

(i) Individual names – Many companies use individual names for their brands. For example, Hindustan Unilever Limited has several individual brands in different product categories such as Lux, Liril, Rexona, Pears, Dove, and Lifebuoy etc. (Soaps); Surf and Wheel (Detergents); Close-up and Pepsodent (Toot paste) etc. Similarly P&G (India) has different individual brands such as Whisper (Female hygiene); Pentene and Head & shoulders (Shampoos); Ariel and Tide (Detergents) etc. A major advantage of an individual name strategy is that the company does not tie its reputation to the products. If the product fails or appears to have low quality, the company's name or image is not hurt.

Companies often use different brand names for different quality lines within the same product class.

<u>(ii) Blanket Family names</u> – This policy is followed by many companies. For examples Tata uses blanket family names in diverse product categories such as salt, tea, coffee, automobile, steel etc. The major advantage is saving in development and promotion costs as brand recognition is easy. Furthermore, sales of the new product are likely to be strong if the manufacturer's image is good in other product categories.

<u>(iii) Separate family names for different product categories/businesses</u> - Separate family names may be giving to different product categories and businesses by one group. For example, Aditya Birla group uses Hindalco for aluminum business, Ultra Tech for cement, Grasim for suiting; and Idea for mobile communication.

<u>(iv) Corporate name combined with individual product names</u> – This sub branding policy is followed by many big players like Honda, Sony, Hewlett-Packard etc. the company name legitimizes, and the individual name individualizes the new product.

Answers to some of the following questions may also help a company in deciding appropriate brand for global markets:

- Does the brand name make sense outside of the source country? What does it mean? What associations are generated?
- If the name suggests a country association, is the effect positive? Is the source country a leading market or a follower?
- Is the name available legally in many countries?
- Is its pronunciation easy?

17.7 Building Global Brands

Building global brands is not an easy task. It requires identification of differences in consumer behaviour – how consumers purchase and use products and what they know and feel about brands – in each market. Companies then adjust the branding programme accordingly through the choice of brand elements and marketing programme.

In order to build global brands marketers must:

- Establish breadth and depth of brand awareness;
- Create points of parity and points of difference;
- Elicit positive, accessible brand responses; and
- Forge intense, active brand relationships.

Keller has suggested 'Ten Commandments of Global Branding':

<u>(i) Understand Similarities and Differences in the Global Branding Landscape</u> – The first and most fundamental guideline is to recognize that international markets can vary in terms of brand development, consumer behaviour, marketing infrastructure, competitive activity, legal restrictions and so on. Virtually every top global brand and company

adjusts its marketing programme in some way across some markets but holds the parameters fixed in other markets.

Global brands often retain a thematic consistency and alter specific elements of the marketing mix in accordance with consumer behaviour and the competitive situation in each country. For example, when MTV entered India, it started showing US music and programmes. Later on, it increased Indian contents and now almost 80% content is local, resulting in improved viewership. The landscape for global brands, however, is changing dramatically; especially with respect to younger consumers. Due to increased consumer mobility, better communication capabilities, and expanding trans-national entertainment options; lifestyles are fast becoming more similar across countries. Younger generation, specially is easily influenced by trends and broad cultural movements fueled by world-wide exposure to movies, television, internet and social media.

(ii) Avoid shortcuts in Brand Building – Companies must create brand awareness and a positive brand image in each country in which the brand is sold. The means may differ from country to country. Nevertheless, it is critically important to have sufficient levels of brand awareness and strong, favourable, and unique brand associations in each country.

The danger in entering new markets is that marketers will take shortcuts and fail to build the necessary brand equity by inappropriately exporting marketing programmes from other countries or markets in which the brand has already established a great deal of equity. One of the major pitfalls that global marketers fall into is a mistaken belief that their strong position n domestic market can easily or automatically translate in to a strong position in a foreign market. Marketers some times fail to realize that in their own country, they are building on a foundation or perhaps decades of carefully compiled associations in customers' minds. Building a brand in new markets must be done from the bottom up. Strategically that means concentrating on building awareness first, before the brand image. Actually, the way a brand is built in one market, with distribution, communication, and pricing strategies, may not be appropriate in another market even if the same overall brand image is desired in both. Consumer education programme may greatly help.

(iii) Establish Marketing Infrastructure – A critical success factor for many global brands has been their manufacturing, distribution, and logistical advantages. They have created the appropriate marketing infrastructure from scratch if necessary, as well as adapting to capitalize on the existing marketing infrastructure in other countries. As international markets vary greatly in terms of marketing infrastructure, companies have to build or develop it from the scratch in some countries. More often, companies have to adapt operations, invest in foreign partners, or both, in order to succeed abroad.

(iv) Embrace Integrated Marketing Communication – A number of top global firms have succeeded by introducing extensive integrated communication programme. If advertising media is not developed in a country, global firm may offer right combination of other promotion tools like publicity, trade shows, sponsorships, merchandising etc. Any non-traditional form of communication should, however, be consistent with the brand's overall positioning and heritage.

Although commercial television time has been limited world wide, the penetration of satellite and cable TV has expanded the broadcast media options available. Internet has also provided impetus. As a result it is now easier to simultaneously air the same commercial in many countries simultaneously. Many English newspapers and magazines like Fortune, Time, and Newsweek etc. have either foreign editions or are being printed in local languages. Marketers may also use these for offering integrated marketing communication.

<u>(v) Cultivate Brand Partnerships</u> – Most global brands have marketing partners of some form in their international markets, ranging from joint venture partners, licensees or franchisees, and distributors to ad agencies and other marketing support personnel.

<u>(vi) Balance Standardization and Customization</u> – One implication of similarities and differences across international markets is that marketers need to blend local and global elements in their marketing programmes. The challenge, of course, is to get the right balance, to know which elements to customize or adapt and which to standardize.

Following three criteria, however, are essential for the development of a global brand:

- Basic positioning and branding that can be applied globally;
- Technology that can be applied globally with local tailoring; and
- Capabilities for local implementation.

There are two important pre-requites that ensures the success of standardized global marketing programme or specifically global brands. First, market development and competitive environment must be at similar stages in different countries. New products and brands often represent more promising candidates for standardization whereas mature products may have vastly different histories in different markets. Consumer knowledge for new products and brands is generally the same everywhere because perceptions have yet to be formed. For example, Intel succeeded with its ‘Intel Inside’ campaign because personal computers were new for various different companies. The second key consideration is that consumer target markets should be alike, and consumers must share the same desires, needs and uses for the products and brands.

The following are likely candidates for global brands:

- *High technology products with strong functional images* – examples are televisions, watches, cell phones, computers, cameras etc. Such products tend to be universally understood and are not typically part of the cultural heritage.
- *High image products with strong associations to fashionability, sensuality, wealth or status* – examples are cosmetics, clothes, jewelry, liquor etc. Such products can appeal to the same type of market worldwide.
- *Services and business to business products that emphasize corporate images* – examples are airlines and banks.
- *Retailers that sell to upper class individuals or that specialize in a salient but unfulfilled need* – For example toys on the occasion of Diwali, Christmas etc.

- *Brands positioned primarily on the basis of their country of origin* – for example 'Australia's Foster's Beer'.
- *Products that do not need customization* – for example medical products and equipments like pace maker etc.

(vii) Balance Global and Local control – A key decision in developing and managing global brands is choosing the most appropriate organizational structure. In general there are three main approaches to organizing for global brands:

- Centralisation at home office or headquarters;
- Decentralisation of decision making to local foreign markets;
- Some combination of centralization and decentralization.

In general, firms tend to adopt a combination of centralization and decentralization to better balance local adaptation and global standardization.

(viii) Establish Operable Guidelines – Brand definitions and guidelines must be established, communicated, and properly enforced so that marketers in different regions have a good understanding of what they are and are not expected to do. The goal is for everyone within the organization to understand the brand's meaning and be able to translate it to satisfy local consumer preferences. Brand definition and communication often revolve around two related issues. First, some sort of document, such as brand charter, should be prepared that detail what the brand is and what it is not. Second, the product line should reflect only those products that are consistent with brand definition.

(ix) Implement a global brand equity measurement system – A global brand equity measurement system would be a set of research procedures designed to provide timely, accurate, and actionable information for marketers on brands, so that they can make the best possible tactical decisions in the short run and strategic decisions in the long run in all relevant markets. As part of this system, a global brand equity management system defines the brand equity charter in a global context, outlining how to interpret the brand positioning and resulting marketing programme in different markets. With the global brand strategy template in place, brand tracking can access progress, especially in terms of creating the desired positioning, eliciting the proper responses, and developing brand resonance. The challenge is that the marketing research infrastructure may be lacking in many countries.

(x) Leverage Brand Elements – Proper design and implementation of brand elements, the brand name and all related trademarked brand identifiers, can often be critical to the successful building of global brand equity as a number of brands have encountered resistance because of difficulty in translating their name, packaging, slogans or other brand elements to another culture. In general, non verbal brand elements such as logos, symbols and characters are more likely to directly transfer effectively, at least as long as their meaning is visually clear, than verbal brand elements that may need to be translated into another language. Non verbal brand elements are more likely to be helpful in creating brand awareness than brand image. It is, therefore, not surprising that choosing the right brand logo, symbol or character can have a huge impact on global marketing effectiveness.

Even non verbal elements, however, can encounter translation problems. For example, certain colours have strong cultural meaning. Marketing campaigns using various shades of green in advertising, packaging, and other marketing programme ran into trouble in Malaysia, where these colours symbolize death and disease whereas these are sacred colours in various Muslim countries.

17.8 Country of Origin and Global Brands

Brand image is affected by many factors like quality, advertising, consumers' evaluation and experience etc. One factor that is of great concern to multinational companies that market worldwide is the country of origin effect on market's perception of the product. Due to this a brand may convey positive or negative message about the product.

Country of origin effect may be defined as any influence that the country of manufacture, assembly or design has on consumer's positive or negative perception of a product. A company competing in global markets today manufactures product worldwide; when the customer becomes aware of the country of origin, there is the possibility that the place of manufacture will affect product or brand image.

If the image of the country is good then brand can extract good mileage but if it is negative then this may adversely affect brands of those countries. For example, French perfume, Scotland's whisky is considered good while Chinese products are considered as of low quality in India. A variety of generalizations can be made about country of origin effect on products and brands:

- Consumers tend to have stereotypes about the products and countries, which have been formed by experience, hearsay, and myth. Consumers may consider products of a particular country as 'best' but that of other as 'poor'. For example, any brand of electronics originating from Japan is considered as 'best' but brands of China or Taiwan are considered 'poor'.
- Ethnocentrism can also have country of origin effects. Feeling of national pride – the 'buy Indian', for example, can influence attitude towards foreign brands.
- Countries are also stereotyped on the basis of whether they are industrialized, in the process of industrialization, or developing. These stereotypes are less product specific. They are more a perception of the quality of goods and services in general. Industrialized countries are considered to have the highest quality image and products from developing countries are not considered good quality wise.

Global companies need to take these factors into consideration in product development and also marketing strategy development because a negative country stereotype can be detrimental to a product's success unless overcome with appropriate marketing and other strategies. Brands effectively advertised and products properly positioned can help reduce a negative country of origin effect.

17.9 Summary

A global brand is defined as the worldwide use of a name, term, sign, symbol, design, or combination thereof intended to identify goods and services of one seller and to differentiate them from those of competitors. Actually, a successful brand is the most valuable resource a company has in global arena. The brand name encompasses the years of advertising, goodwill, quality evaluation, product experience, and the other beneficial attributes the market associates with the product. A global brand gives a company a uniform worldwide image that enhances efficiency and cost savings when introducing other products associated with the brand name. There are a number of potential disadvantages of global brands. In case of global brands companies tend to offer standardized marketing and promotion mix programme. These standardized global marketing programme often ignore fundamental differences of various kinds across countries and cultures. Products may be at different stages of their life cycle in different countries. Moreover, the perceptions and positions of particular brands may also differ considerably across countries. Relatively few brands are common in top brand lists of every country.

Building global brands is not an easy task. It requires identification of differences in consumer behaviour in each market. Companies then adjust the branding programme accordingly through the choice of brand elements and marketing programme. In order to build global brands marketers must establish breadth and depth of brand awareness; create points of parity and points of difference; elicit positive, accessible brand responses; and forge intense, active brand relationships. Brand image is affected by many factors like quality, advertising, consumers' evaluation and experience etc. One factor that is of great concern to multinational companies that market worldwide is the country of origin effect on market's perception of the product. Due to this a brand may convey positive or negative message about the product.

17.10 Self Assessment Questions

1. What do you understand by the term 'Global Brand'? Discuss its benefits and problems.
2. Discuss various branding strategies that may be used in global context.
3. Global brands or different brands in different countries, which out of these will you recommend and why?
4. Discuss the rationale of global branding.
5. Discuss some of the disadvantages of global branding.
6. How can a company select a global brand name? What options are available to the company for this purpose?

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Unit - 18 Brand Licensing and Franchising

Structure of Unit

18.0 Objectives

After completing this unit, you would be able to:

- Understand the concepts of brand franchising and licensing.
- Comprehend the various elements of a franchising and licensing agreement.
- Understand the franchising and licensing agreement and successfully identify the various types of franchising.
- Identify the various advantages and disadvantages of licensing and franchising.
- Understand the scenario of franchising and licensing agreement in India.
- Understand the differences between the two closely related concepts of franchising and licensing.

18.1 Introduction

A company that possesses a competitive manufacturing process, technical knowhow, and design and marketing expertise may perform commercial activities by the way of brand licensing and minimum involvement of financial resources. Whereas, brand franchising is used as preferred mode of operating business when the transfer of intellectual property (patents, trademark, copyright etc.) and other assistance is required for an extended period. It is a form of licensing wherein transfer of intellectual property rights take place.

18.2 Licensing

Licensing, in the business world, is a contractual agreement to use a brand name, patent or property that is owned by another business entity. For example, a greeting card company can obtain a license to use images of Hannah Montana or "The Simpsons" characters on greeting cards.

Licensing means renting or leasing of an intangible asset. It is a process of creating and managing contracts between the owner of a brand and a company or individual who wants to use the brand in association with a product, for an agreed period of time, within an agreed territory. Licensing is used by brand owners to extend a trademark or character onto products of a completely different nature. Examples of intangible assets include a song (“Somewhere Over The Rainbow”), a character (Donald Duck), a name (Michael Jordan), or a brand (TheRitz-Carlton). An arrangement to license a brand requires a licensing agreement. A licensing agreement authorizes a company which markets a product or service (a licensee) to lease or rent a brand from a brand owner who operates a licensing program (a licensor).

18.2.1 Elements of Licensing

- **Licensees:** When a business enters into a licensing agreement to use a celebrity, characters or property, they become a licensee. A licensing agreement is structured, stipulating the terms and fees to use names and images on products. Using the images of TV characters such as Hannah Montana or the Simpsons, or celebrities such as The Jonas Brothers, to sell products requires a license. A food or beverage manufacturer can become a licensee to use Splenda to sweeten their foods or beverages. A computer manufacturer can obtain a license from Microsoft to include their software, and become a licensee.

- **Licensors**: Companies strive to create brands, characters and celebrities that they can license to other businesses. Licensing helps them increase their market share, drive consumer preference and loyalty for their artists and brands, maximize exposure and increase sales revenue. Licensing provides the channel to do so without getting into businesses that are outside of their "core" operations. For example, Hannah Montana is a character/entertainer -- not a greeting card publisher or clothing retailer. But companies such as Wal-Mart are, and consequently will enter into a licensing deal. Lawyers and agents typically serve as licensor representatives, responsible for structuring the terms and closing licensing deals. Licensors are paid royalties that are typically based on sales, along with an upfront fee for licensing usage rights.

- **Financial Arrangement**: Payments from the licensee to the licensor usually take the form of guaranteed minimum payments and royalties on sales. Royalties typically range from 6 to 10 percent, depending on the specific property involved and the licensee's level of experience and sophistication. Not all licensors require guarantees, although some experts recommend that licensors get as much compensation up front as possible.

- **Time Frame:** Many licensors insist upon a strict market release date for products licensed to outside manufacturers. After all, it is not in the licensor's best interest to grant a license to a company that never markets the product. The licensing agreement will also include provisions about the length of the contract, renewal options, and termination conditions.

- **Issue of Quality**: The licensor may insert conditions in the contract requiring the licensee to provide prototypes of the product, mockups of the packaging, and even occasional samples throughout the term of the contract. Of course, the best form of quality control is usually achieved before the fact—by carefully checking the reputation of the licensee.

18.2.2 Advantages of Licensing

The advantages of Licensing are:

- A license allows a company to take a product to market without the expense of setting up locally and all the risks and costs associated with that.
- A larger and more powerful licensee in a new market can provide instant market access and deter competitors and imitators.
- A license can be used to enable products to be supplied locally where there is no opportunity to manufacture in the locality.
- It is possible with the right kind of license and overseas business partner to create an extensive market presence very early on in the product's life cycle. This will help make maximum profits for the licensor.
- In certain circumstances it is possible to divide up a particular market so that different companies can license the same product but apply it in different areas. For example, it is possible to take disinfection kits and divide up the market into human and animal markets then find different companies with the right market presence.
- It is possible to work with a licensee in a foreign market and learn from them. For example, it may be possible to improve products or to adjust them so that they meet local market needs. This can often be done early on in the product's life cycle to help achieve better market coverage.
- An overseas licensee may well save a lot of expense in terms of research and development. For example, reciprocal licensing in the car and telecommunications industries enables companies to exploit the fruits of research carried out by one company alone.
- Where well known brands are licensed overseas, the local licensee can take advantage of an established brand with a known name and goodwill. It is very important for the licensor to ensure that brand standards are maintained in an overseas market.
- It is possible to negotiate further income streams from support services and training.

18.2.3 Disadvantages of Licensing

The Disadvantages of licensing are:

- It is important for the company to find the right partner to license with in a local situation. Understanding what an overseas partner can do is essential to making licensing a success.
- It is important to ensure that there are proper control provisions in the license. It is especially important with licensing to have a well-drafted license drawn up by experts. The license should contain things such as full audit provisions and as licensor it may be important to police those audit provisions.
- In the long term, royalty payments from a license may not provide the maximum for a licensor. It could be that setting up locally can generate better profits in the long run.

- It is the absolutely key to the success of the license for it to be properly negotiated and drafted. Licensing can be a complex arrangement and it is important for a licensor to be properly guided in terms of royalty payments, audit provisions and minimum sales.
- The licensor is often required to provide technical assistance and training in brand standards etc. depending upon where the licensee is based. This will need to be factored into the licensing arrangements.
- The licensor must be satisfied that the licensee can make a local market from the products. Some products are more popular in some cultures than in others.

18.2.4 Reasons for Licensing

A company may choose to license its brand(s) when they believe there is strong consumer acceptance for brand extensions or products. For example, when Apple launched the iPod there was an immediate need for accessories such as headphones, charging and syncing stations and carrying cases. Apple decided not to manufacture these products and instead chose to have a licensee make the products. By doing so, Apple could offer branded "Earbud Headphones", "iPod docking stations" and "iPod socks." Each is made by a separate company but together offer the consumer an elegant solution. All of these accessories are sold by licenses.

Apart from benefits to licensors, there are benefits to licensees as well. Licensees lease the rights to a brand for incorporation into their merchandise, but do not share ownership in it. Having access to major national and global brands, and the logos and trademarks associated with those brands, gives the licensee significant benefits. The most important of these is the marketing power the brand brings to the licensee's products. When brand managers enter or extend into new product categories via licensing they create an opportunity for a licensee to grow their company. For example, Crest several years ago extended its brand from toothpaste into whitening (Crest Whitestrips). Below is an example of the licensed product process steps:

- Licensor chooses the product categories to be licensed
- Licensor finds and negotiates a license with the best licensees
- Licensees develop concepts, prototypes and final production samples and submit for approval
- Licensor approves licensed products for sale
- Licensees sell licensed products to authorized retailers

Licensees expect that the license will provide them with sales growth. This sales growth may be in the form of growth within existing market or the opportunity to enter a new market. To achieve this, licensees expect that the brand they are licensing has significant brand preference, that it will open doors and ultimately help them meet or exceed their business objectives. The licensing contract forces the licensee to achieve certain sales targets and royalties; therefore, the goal of the licensee is to quickly meet their business objectives, thereby achieving their contract obligations. Royalties are the monies paid to a licensor by the licensee for the right to use the licensed property. It is calculated by multiplying the Royalty Rate by the Net Sales.

18.2.5 Rights and Royalties

A *royalty* (sometimes, running royalties, or private sector taxes) is a usage-based payment made by one party (the "licensee") to another (the "licensor") for the right to ongoing use of an asset, sometimes an intellectual property (IP). Royalties are typically agreed upon as a percentage of gross or net revenues derived from the use of an asset or a fixed price per unit sold of an item of such, but there are also other modes and metrics of compensation. A royalty interest is the right to collect a stream of future royalty payments, often used in the oil and music industries to describe a percentage ownership of future production or revenues from a given leasehold, which may be divested from the original owner of the asset.

A *license agreement* defines the terms under which a resource or property such as petroleum, minerals, patents, trademarks, and copyrights are licensed by one party to another, either without restriction or subject to a limitation on term, business or geographic territory, type of product, etc. License agreements can be regulated, particularly where a government is the resource owner, or they can be private contracts that follow a general structure. However, certain types of franchise agreements have comparable provisions.

18.2.6 Scenario of Licensing in India

The liberalisation of the Indian economy in 1992 brought a slew of international brands to India. Many of these brands have been licensed to Indian companies. Arvind Brands represent Wrangler, Arrow, Nautica, Jansport and Kipling. The Murjani Group is the licensee for FCUK and Tommy Hilfiger. Beverly Hills Polo Club (BHPC) is licensed to Spencers Retail.

Character Licensing is another big licensing segment of brand licensing in India. The big players in the character licensing industry in India are Walt Disney, Viacom and Cartoon Network Enterprises. Characters licensed out by Walt Disney include Mickey Mouse and Donald Duck. Viacom has brought in popular characters from Nickelodeon like Dora the Explorer and SpongeBob SquarePants.

With the given media mileage and advertising, the industry is accelerating the growth to blow the horns. The concept of licensing is fast gaining acceptability with a number of international brands planning to cater to India via licensing Industry sources say licensing prospects now exist in all spheres in India - Manufacturers from various industry sectors including apparel, consumer goods, toys, gifts, accessories, and sports are keen on taking licenses. The emergence of modern and more organised retail in India has set the pace for new collaborations between International Licensing companies and Indian business houses. Character and entertainment licensing has witnessed terrific activity, the sources sad.

18.3 Franchising

A franchise is a business that operates under an existing brand name. Many popular businesses are franchises, including McDonald's, Subway and H&R Block. Franchising is the practice of using another firm's successful business model. The word 'franchise' is of Anglo-French derivation - from franc - meaning free, and is used both as a noun and as a (transitive) verb. For the franchisor, the franchise is an alternative to building 'chain stores' to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business. Essentially, and in terms of distribution, the franchisor is a supplier who allows an operator, or a franchisee, to use the supplier's trademark and distribute the supplier's goods. In return, the operator pays the supplier a fee.

In a franchising model, the franchisee uses another firm's successful business model and brand name to operate what is effectively an independent branch of the company. The franchiser maintains a considerable degree of control over the operations and processes used by the franchisee, but also helps with things like branding and marketing support that aid the franchise. The franchiser also typically ensures that branches do not cannibalize each other's revenues.

A franchise is a contract that grants a business the right to operate using the name and products of an established brand. A franchisor will develop the brand, produce goods and develop marketing campaigns for its products. A franchisee will then purchase the rights to sell the franchisor's products in a given area and benefit from the franchisor's marketing efforts. The franchisor makes money by selling rights to franchisees, while the franchisee profits by selling directly to customers. A common industry that uses franchising is fast food.

18.3.1 Advantages of Franchising

A. <u>Advantages from the Franchisor's point of view:</u>

- **Financial:** Franchising creates another source of income for the franchisor, through payment of franchise fees, royalty & levies in addition to the possibility of sourcing private label products to franchisees. This capital injection provides an improved cash flow, a higher return on investment and higher profits. Other financial benefits that the franchisor enjoys are reduced operating, distribution and advertising costs. Of course that also means more allocated funds for research and development. Additionally, there will always be economies of scale with regard to purchasing power.

- **Operational**: The franchisor can have a smaller central organization when compared to developing and owning locations themselves. Franchising also means uniformity of procedures, which reflects on consistency, enhanced productivity levels and better quality. Effective quality control is another advantage of the franchise system. The franchisee is usually self motivated since he has invested much time and money in the business, which means working hard to bring in better organizational and monetary results. This also reflects on more satisfied customers and improved sales effectiveness.

- **Strategic**: To the franchisor, franchising means the spreading of risks by multiplying the number of locations through other people's investment.

That means faster network expansion and a better opportunity to focus on changing market needs, which in its turn means reduced effect from competitors.

- **Administrative**: With a smaller central organization, the business maintains a more cost effective labour force, reduction of key staff turnover and more effective recruitment.

B. Advantages from a Franchisee's point of view:

- Avoiding the unnecessary trial and error period in starting and operating a new business.
- Lower financial risk, compared to other ventures, because investment costs are lower and profit margins are higher.
- Business Format Franchising complete packages ensure a ready to go "turn-key" franchised unit.
- Managing a small business whilst depending on the power of the franchisor company which has a bigger organization.
- The franchisee has an opportunity to run a proven business concept with a successful operational track record.
- The opportunity to learn the latest developments and changes in the local and global market from the franchisor and focus entirely on developing the sales revenues.
- The benefit of operating under a recognized trade name/trademark, which can have better marketing results.
- The franchisee has access to accumulated business experience and technical know-how in managing the business.
- A unified store design which leverages the business reputation in marketing the concept.
- Easier purchasing, storing, and product display systems.

18.3.2 Disadvantages of Franchising

A. Disadvantages from a Franchisor's point of view:

- Considerable capital allocation is required to build the franchise infrastructure and pilot operation. At the beginning of the franchise program, the franchisor is required to have the appropriate resources to recruit, train, and support franchisees.
- At the beginning of the franchise program there is a broader risk that the trade name can be spoiled by misfits until such time the franchisor is capable of selecting the right candidate for the business.
- There is a risk that franchisees exercise undue pressure over the franchisor in order to implement new policies and procedures.
- The franchisor has to disclose confidential information to franchisees and this may constitute a risk to the business.

B. Disadvantages from a Franchisee's pint of view:

- The requirement to pay the franchise fees and royalty to the franchisor, which in some cases can be exaggerated.
- The transfer of all goodwill built in the local market to the franchisor upon expiration or termination of the franchise contract.
- The necessity of abiding by the franchisor's operating systems, standards, policies and procedures.
- Reduced corporate profit margin due to payment of royalties and levies.

18.3.3 Franchise Agreement

Franchising has attracted the attention of many over past years and the tough economic climate has highlighted its strengths and shown that there is a more secure way to start your own business. Its formula of a locally owned and run enterprise, driven by a small business owner, with branding, economies of scale and support from the wider network, gives the business a far better chance of success. However, this is only the case if it is done well. A typical franchise includes rights to Trade Mark, trade names, logos, patents, trade-secrets and know-how of a business.

- **Franchisees:** Franchisee is a business owner who by opening a franchise gains instant brand and name recognition, employee training, and advertising and marketing support. As a result, franchisees often stand a better chance of becoming profitable, increasing the odds for business survival.
- **Franchisors**: Providing franchise opportunities allow companies to expand locations and at the same time maintain control of their brand. Most often, this includes products, services, formulas, pricing, employee training and the overall look of the business.
  Franchisors require franchisees to meet stringent qualifications and specificitions, both financially and personally, before they are granted a franchise. They also require extensive franchisee/owner training. Franchisors earn revenue by charging fees and getting a percentage of sales revenue.

Each party to a franchise has several interests to protect.

- The franchisor is involved in securing protection for the trademark, controlling the business concept and securing know-how.
- The franchisee is obligated to carry out the services for which the trademark has been made prominent or famous.
- There is a great deal of standardization required. The place of service has to bear the franchisor's signs, logos and trademark in a prominent place. The uniforms worn by the staff of the franchisee have to be of a particular design and color. The service has to be in accordance with the pattern followed by the franchisor in the successful franchise operations. Thus, franchisees are not in full control of the business, as they would be in retailing.
- A service can be successful if equipment and supplies are purchased at a fair price from the franchisor or sources recommended by the franchisor. A coffee brew, for

example, can be readily identified by the trademark if its raw materials come from a particular supplier. If the franchisor requires purchase from his stores, it may come under anti-trust legislation or equivalent laws of other countries. So too the purchase things like uniforms of personnel and signs, as well as the franchise sites, if they are owned or controlled by the franchisor.

The franchisee must carefully negotiate the franchise license and develop a marketing or business plan with the franchisor. The fees must be fully disclosed and there should not be any hidden fees. The start-up costs and working capital must be known before the license is granted. There must be assurance that additional licensees will not crowd the "territory" if the franchise is worked according to plan. The franchisee must be seen as an independent merchant. It must be protected by the franchisor from any trademark infringement by third parties. A franchise attorney is required to assist the franchisee during negotiations.

Often the training period - the costs of which are in great part covered by the initial fee - is too short in cases where it is necessary to operate complicated equipment, and the franchisee has to learn on their own from instruction manuals. The training period must be adequate, but in low-cost franchises it may be considered expensive. Many franchisors have set up corporate universities to train staff online. This is in addition to providing literature, sales documents and email access.

Also, franchise agreements carry no guarantees or warranties and the franchisee has little or no recourse to legal intervention in the event of a dispute. Franchise contracts tend to be unilateral and favor of the franchisor, who is generally protected from lawsuits from their franchisees because of the non-negotiable contracts that franchisees are required to acknowledge, in effect, that they are buying the franchise knowing that there is risk, and that they have not been promised success or profits by the franchisor. Contracts are renewable at the sole option of the franchisor. Most franchisors require franchisees to sign agreements that mandate where and under what law any dispute would be litigated.

18.3.4 Types of Franchising

The main distinguishing feature of a franchise is its structure--in other words, the rights that the franchisor allows a franchisee to have regarding the franchisors products or services. However, a secondary classification of franchise types does exist; its based on the type of franchise ownership. The following is an overview of the types of franchise structures and ownership classifications.

1. **Manufacturer Franchise Structure** - One of the lesser-known franchise structures is called a manufacturer franchise. The focus of this type of franchise, as the name suggests, is on the manufacturing phase of a products lifecycle. Owners of a manufacturer franchise have the right to manufacture a franchisors product. In some cases, he also may have the right to sell and distribute the products as well.

2. **Product Franchise Structure** - Those who buy into a business structured as a product franchise are purchasing the right to sell and/or distribute a particular product from a manufacturer. For example, an auto repair shop owner may decide that he wants to sell tyres in order to add a revenue stream for the business. In order to have inventory on hand, selected tire manufacturers may require that the auto shop become a product franchisee before it allows the shop to carry its tires.

3. **Business Format Franchise Structure** - The most common type of franchise structure is the business format franchise. In this type of franchise, the franchisee is buying the right to more than just producing and distributing a franchisors product as in the manufacturer type of franchise, and more than simply selling a franchisors product as in the product type of franchise. Instead, entrepreneurs who choose the franchise business format are really purchasing the franchisors strategic business operation model, which has proven to be effective; and the right to produce, distribute and/or sell the franchisors goods and/or services comes along with that purchase.

4. **Single-Unit Franchise Ownership** - As stated earlier, types of franchises are categorized not only by the structure but also by ownership. The most common type of franchise ownership is one that is offered as a single-unit franchise. This type of franchisee purchases the right to own and operate one franchise location. Most entrepreneurs who invest in a franchise---whether as a business format franchisee, a product franchisee or a manufacturer franchisee---buy into the franchise as this type of franchise owner.

5. **Multi-Unit & Area Development Franchise Ownership** - Aggressive or experienced franchisees may opt for a more involved type of franchise ownership such as multi-unit franchise ownership or area development franchise ownership. The two types of franchise ownership types are similar in that the franchise owner has more to manage than a single-unit franchise owner and they differ only in how and what is managed. The multi-unit franchise owner manages multiple franchise locations while the area development franchise owner typically owns a single franchise that has the right to do business across a vast area---multiple cities or states, for instance.

Based on the nature of work, the types of franchises may be further classified into the following types:

1. **Retail Franchise**: In a retail franchise, the franchisee will generally occupy retail premises and sell products or services. The business depends totally on the location of the premises, with sales coming from walk-in consumers. In this situation, the franchisee will:
    - Sell a product or service to end-users.
    - Operate from locations with high foot traffic like shopping malls.
    - Depend on walk-in customers for sales.
    - Manage the business during retail hours, often stretching into long days and weekends.

- Be dealing with the public; this requires the franchisee to be a people person.
- In most instances, staff will have to be employed, requiring the franchisee to be a good manager of people.
- In some cases, prior experience in the type of business is essential.

2. **Management Franchise:** In a management franchise, the franchisee is expected to market and manage the business while trained staff carries out the actual business activity. A good example of such a business is a plumbing repair franchise. Orders are obtained via the telephone and trained repair teams carry out the work at customers' premises. Many business-to-business activities are handled in a similar manner, except for the fact that a travelling sales force will be employed. In this situation, the franchisee will:
   - Need premises located in an office block or an area zoned "light industrial".
   - Be selling a product or perform a service, on occasion a combination of the two.
   - Market and manage the business during regular office hours (except in instances when the service involves emergency response).
   - Employ and manage skilled staff.
   - Need to do quotations and administer workflow. Depending on the complexity of the work to be carried out, in some instances, the training provided by the franchisor will suffice, in others; prior experience in the particular field will be required.
   - Deal mainly with businesses, to a lesser degree with the public. The franchisee needs to be able to handle this effectively.

3. **Single Operator Franchise – Manual:** In this franchise format, the franchisee carries out the work him/herself. This usually involves the carrying out of a trade, or the selling and supply of products or services. It may be a mobile set-up and could be home-based or operated from small office premises.
   In this situation, the franchisee will:
   - Need to acquire the expertise required to sell and install a product or perform a service.
   - Work on his/her own, at least initially. As the business grows, it may become necessary to employ staff and the franchise could develop into a management franchise.
   - Market the franchise locally to generate a steady flow of business.
   - Deal with the public as well as with businesses.
   - Conduct much of the business via the telephone.
   - Be mobile, perhaps van-based and undertake administrative chores from home. On occasion, small industrial premises may be necessary.
   - On occasion, such franchisees may be required to wear a uniform that reflects the network's corporate identity.
   - Have flexible business hours.

Although this business format exists in South Africa, it generally lends itself better to a distributorship. The reason for this is that a fully-fledged business format franchise may be too expensive to operate. There is a notable exception, though: small fast food franchises, for example hot dog stands, often depend on their success on the franchise format for brand recognition and quality assurance. A good example is the Hot Dog Cafe, which is a successful franchise chain.

4. **Single Operator Franchise – Executive**: In this franchise format, the franchisee carries out the work him/herself. This usually involves the carrying out of a professional service or the selling and supply of products that require professional input and/or user-support and troubleshooting. The business could be home-based or operated from small office premises. The type of work is executive, examples are bookkeeping services, tax advice, business consulting, training or the supply of comprehensive office solutions for small businesses.
   In this situation, the franchisee will:
   - Need to learn to perform the service, for example to write up the client's books, usually at the client's premises.
   - Work on his/her own, at least initially. As the business grows, it may become necessary to employ staff and the franchise could develop into a management franchise.
   - Market the franchise locally to generate a steady flow of business.
   - Deal mainly with businesses, but sometimes with the public as well.
   - Conduct much of the business via the telephone and through electronic communication facilities.
   - Work from home or have small office premises but essentially be mobile.
   - Work regular office hours, at least most of the time. Important note: At this level, franchises have the potential to become extremely successful. There are two good reasons for this:
     - On the input level, networks find it easier to develop proprietary materials, for example computer software, and set up intranets, essential in today's business climate but generally out of the reach of individual operators.
     - On the output level, the target customer base, usually SMEs, is attracted by a network's branding activities, which imply a strong component of quality assurance and fidelity. They are also reluctant to deal with large professional firms, considering them too expensive for their needs. Rather, they prefer to deal with franchisees, small businesses themselves.

5. **Investment Franchise**: This term means that a wealthy investor, often a corporate entity, makes a substantial investment in a franchise without having any intention of working in the business. Management of the franchise will be delegated to an executive team that is responsible for day-to-day operations. This format is used, for example, in the hotel business. It is not very popular with franchisors of smaller concepts. The reason for this is that the physical presence of the owner "behind the counter" is what customers want. Experience has also shown that the owner's presence makes the business successful.

18.3.5 Termination of Franchise Agreement

Franchise Agreements are always for fixed terms, usually of 5 years. Franchise Agreements are seldom terminable by notice during the Term by either party. A Franchisee cannot therefore, without cause, just resign or walk away without being liable in damages to the Franchisor for breach of contract. The relationship is that of two independent contractors. It is not a partnership or a joint venture nor is it an employment contract. Franchisees can terminate their franchise agreements:

- Within seven days of entering into the agreement or paying any non-refundable money (the cooling-off period)
- Where their franchise agreement allows them to terminate.

The Franchising Code allows a franchisor to terminate a franchise agreement in certain circumstances:

Breach by franchisee - If a franchisor intends to terminate a franchisee's agreement for breaching the agreement, the franchisor must:

- Give the franchisee reasonable notice that it proposes to terminate the agreement because of the breach
- Tell the franchisee what it needs to do to remedy the breach
- Allow the franchisee a reasonable time (up to 30 days) to remedy the breach.

If the breach is remedied within the prescribed timeframe, the franchisor cannot terminate the franchise agreement because of that breach.

No breach by the franchisee - A franchisor may have a right under the terms of the franchise agreement to terminate the agreement before it expires, even though the franchisee has not breached the agreement or consented to the termination. A franchisor intending to terminate an agreement on this basis must give the franchisee reasonable notice of the proposed termination and the reasons for it.

Special Circumstances - The Code outlines special circumstances in which the franchisor is able to terminate a franchise agreement without having to give the franchisee any notice, including where the franchisee:

- No longer holds a necessary license
- Becomes bankrupt
- Voluntarily abandons the franchise
- Is convicted of a serious offence.

The Consequences: Most well-drafted franchise contracts will spell out clearly what is to happen upon the termination of a franchise contract for whatever reason.

The post-termination provisions of a franchise contract can usually be broken down into two categories:

- The first category will deal with those aspects which are concerned with the severance of the relationship and the protection of the franchisors name and goodwill.
- The second category will deal with the method by which the franchisor will seek to protect his franchise's know-how, trade secrets, and business methods so as to prevent the departing franchisee from unfairly making use of them in order to compete with the franchisor and the other franchisees.

18.3.6 Scenario of Franchising in India

India is one the world's largest and the fastest-growing emerging markets, and franchising has become a successful business model for many local companies. Globalisation and market liberalisation has fuelled brand awareness among the Indian masses making the importation of foreign brands to Indian shores an attractive business opportunity for local businessmen. Foreign brands such as McDonald's and Pizza Hut have studied India's tastes and needs and customised their products and menus to suit local preferences. Many foreign companies consider franchising to be a convenient method of entry into the geographically vast and culturally diverse Indian market, which offers a very favourable franchising environment.

Legal Aspects: Compared to other parts of the world, the franchise sector in India is at a nascent stage and the general feeling at the moment is that there is no need for franchise-specific legislation. As a consequence, franchising in India is governed by a number of statutes, rules and regulations, some of which are discussed below.

The Contract Act: The contractual relationship between the franchisor and the franchisee is governed by the Indian Contract Act, 1872 (the Contract Act). Under the Contract Act, a "contract" is an agreement enforceable by law. A franchise agreement would be enforceable under Indian law since it would meet the criteria of a valid contract. However, care needs to be taken to ensure that the agreement does not contain any provisions that render the contract void or voidable.

Restraint of Trade: The Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act) also regulates agreements that relate to restrictive trade practices; however, in the context of the Contract Act, it is imperative to understand the implications of a restrictive provision in a franchise agreement.

Consumer Protection and Product Liability: Under the Consumer Protection Act, 1986, franchise goods would be manufactured and likewise services provided by the franchisee, it is quite likely that the consumers could file an action against both the franchisor and the franchisee, since the goods are sold and the services are rendered under the brand name of the franchisor. While consumers may seek remedy against both, it is common for the franchise agreement to provide that all product liabilities and responsibilities for consumer claims lie with the franchisee.

Monopolies and Restrictive Practices Law and Competition Law: The Monopolies & Restrictive Trade Practices Act, 1969 (MRTP Act) prohibits the imposition of restrictions in respect of sources of supply and pricing of products. It must be ensured that the terms of the franchise agreement are not construed as monopolistic or restrictive.

Restrictive Trade Practices: The MRTP Act orders the registration of agreements considered to contain restrictive trade practices. Those that are relevant in the context of a franchise include: exclusive supply provisions; exclusivity in product dealing; restrictions on methods used; and resale price-fixing conditions.

Intellectual Property Rights: The Trademarks Act, 1999 prescribes the procedure for registration of trademarks and service marks. Validity of registration is for a period of 10 years from the date of application and subject to renewal at the expiry of validity.

Trans-border Reputation of Trademarks: Several decisions of the Indian courts have recognised the reputation and protected the trademarks of foreign companies where their products or services have an international reputation even though they have no actual business in India. In the case of Calvin Klein Inc (CK), the trademark "CALVIN KLEIN" was used for clothing and was registered internationally, but not in India. Despite this, the court issued an injunction against an Indian company using CK's trademark. Hence, it would be possible for a foreign franchisor to legally protect its trademarks in India on the basis of its trans-border reputation; however, it would be prudent to register the trademarks in India.

Foreign Exchange Regulations: The Foreign Exchange Management Act, 1999 (FEMA) and the relevant rules and regulations govern payments in foreign exchange. Franchise arrangements would normally include payments such as a franchise fee, royalty for use of trademarks and the system, training expenses, advertisement contributions, etc, which can be remitted to the foreign franchisor without any approvals provided the appropriate nomenclature is used to denote such payments.

18.4 Franchising Vs. Licensing

In a franchising model, the franchisee uses another firm's successful business model and brand name to operate what is effectively an independent branch of the company. Whereas, under a licensing model, a company sells licenses to other (typically smaller) companies to use intellectual property (IP), brand, design or business programs.

Some of the major differences between the two may be drawn by the following table:

	Franchising	**Licensing**
Governed by	Securities law	Contract law
Registration	Required	Not required
Territorial Rights	Offered to franchisee	Not offered; licensee can sell similar licenses and products in same area
Support and Training	Provided by franchisor	Not provided
Royalty Payments	Yes	Yes
Use of Trademark/logo	Logo and trademark retained by franchiser and used by franchisee	Can be licensed
Examples	McDonalds, Subway, 7-11, Dunkin Donuts	Microsoft Office
Control	Franchiser exercise control over franchisee.	licensor does not have control over licensee

18.5 Summary

For a company looking to expand, franchising and licensing are often appealing business models. Under a licensing model, a company sells licenses to other (typically smaller) companies to use intellectual property (IP), brand, and design or business programs. In a franchising model, the franchisee uses another firm's successful business model and brand name to operate what is effectively an independent branch of the company. Each form of business ownership has specific advantages and disadvantages. A Franchise is a method of doing business involving a continuous relationship between a franchiser and a franchisee. The franchiser retains possession of the distribution system, and the franchisee assumes all of the normal daily operating functions of the business. There are many types of franchising business. It is also important to comprehend the scenario of both the concept in India – the various laws stating rules and regulations about the franchising and licensing agreement and the general overview of the same. Finally, franchising and licensing are not synonymous terms. Therefore, it is important to properly understand both the concepts and differentiate between them.

18.6 Self Assessment Questions

Q1. What do you mean by franchising and licensing?

Q2. Determine the various elements of franchising and licensing. Also outline the differences between the two concepts.

Q3. Explain the franchising agreement in detail.

Q4. Enumerate the various types of franchising.

Q5. Suppose you want to start a business of your own. Now based on the advantages and disadvantages of franchising and licensing, which one will you choose?

Q6. What are the reasons for licensing?

Q7. Determine the scenario of franchising and Licensing in India.

Q8. Explain the concept of rights and royalties.

18.7 Reference Books

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