

中国经济管理大学  
(工商管理经典译丛·市场营销系列)  
《战略品牌管理》(第3版)  
教师手册

# 全国职业经理MBA双证班

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## **Chapter 1**

### **Brands & Brand Management**

#### **Overview**

This chapter sets up the rationale for the book. Because brands are so valuable to the firms that manufacture them and the consumers who purchase them, and because the marketplace has become increasingly complex and competitive, brand management is more important and challenging now than it ever has been. Brand managers face a seemingly unlimited number of options and opportunities with respect to product, price, place and promotion strategies. But they also face increased risk as they strive to deal with sea changes in the marketing environment, including the rise of private labels, media fragmentation, pressure for short-term results, shifting consumer preferences, and technological advancements that level the product feature playing field, to name just a few.

Despite these pressures, many brands continue to grow and flourish, as evidenced by the global successes of such mega-names as Nike, Disney, Mercedes, and others. Moreover, even categories that heretofore had been thought of as consisting of mundane commodity products now contain brands, including Campbell's mushrooms, Blue Rhino propane gas, and Perdue chickens.

Chapter 1 also indicates that by focusing specifically on brands, this book enables students to gain valuable knowledge, broader perspectives, and more strategic insights than in a more general marketing text. The chapter introduces the concept of a brand as an identifiable and differentiated good or service.

Brands offer tangible and intangible benefits to the companies who manufacture them, the retailers who sell them, and the consumers who buy them. Examples of strong brands given in the text include not only products and services, but also people, places, and sports, art, and entertainment industries. The chapter describes some of the past and present challenges faced by brands (such as those noted above), and states that the purpose of the book is to set forth principles, models and frameworks that will help guide managers through these challenges as they plan and execute brand strategies.

The chapter details the three main factors that contribute to brand equity: the initial choices for the brand elements or identities making up the brand; the way the brand is integrated into the supporting marketing program; and the associations indirectly transferred to the brand by linking the brand to some other entity (e.g., the company, country of origin, channel of distribution, or another brand). Several strategic imperatives for effective brand equity management are introduced in the chapter, namely the brand hierarchy, the brand-product matrix, and policies regarding the strengthening of the brand over time and over geographical boundaries.

In this chapter, the strategic brand management process is described. The strategic brand management process involves four main steps: identifying and establishing brand positioning and values, planning and implementing brand marketing programs, measuring and interpreting brand performance, and growing and sustaining brand equity.

Brand Focus 1.0 discusses the history of branding. It traces the development of brands from marks of identification on stone age pottery to national manufacturer brands in the Industrial Revolution to mass marketed brands.

### **Science of Branding**

1-1: Understanding Business-to-Business Branding

1-2: High-Tech Branding

1-3: Understanding Market Leadership

### **Branding Briefs**

1-1: Coca-Cola's Branding Lesson

1-2: Diamond Industry Creates New Niches to Increase Sales

1-3: Flying High with the SWA Brand

1-4: Branding the Wal-Mart Way

1-5: Building the Amazon Brand

1-6: Building a Brand Winner with Manchester United

1-7: Ad Campaigns Entice Visitors with a Glimpse of Freedom, Fun

1-8: Branding a Cause: World Wildlife Federation

### Additional Branding Briefs:

1-9: A Glimpse into the Past of Selected Brands

1-10: Branding Energy

### Discussion questions

1. *What do brands mean to you? What are your favorite brands and why? Check to see how your perceptions of brands might differ from those of others.*

Answers will vary widely, and discussion could center around reasons for such differences.

2. *Who do you think has the strongest brands? Why? What do you think of the Business Week list of the 25 strongest brands in Figure 1-5? Do you agree with the rankings? Why or why not?*

These two questions can be used to illustrate the similarities and differences between “favorite” brands and “strong” brands. The discussion could include evaluation of the criteria for inclusion on the *Business Week* list.

3. *Can you think of anything that cannot be branded? Pick an example that was not discussed in each of the categories provided (services; retailers and distributors; people & organizations; sports, arts, & entertainment) and describe how each is a brand.*

Discussion might involve why anything can become a brand. (Because of the way perception functions, the differential effect of when a brand is present vs. the commodity product can always be achieved.) Students will come up with many different examples of branded products, and the discussion can be used to examine what makes a brand.

4. *Can you think of yourself as a brand? What do you do to “brand” yourself?*

People resemble brands themselves in many ways – with their name, their mode of dress, their pattern of speech, their interests and activities, etc. – because each aspect of a person contributes to the differentiation of that person from other people.

5. *What do you think of the new branding challenges and opportunities that were listed in the chapter? Can you think of any other issues?*

Brand builders have faced forms of some of these challenges in the past, including increased competition and media fragmentation. Though the new challenges certainly make it more difficult to build a strong brand, by no means do they make it impossible. Other issues include brand backlash, which illustrates a different type of accountability. As the repeated targeting during anti-globalization protests of retail locations of multinational companies such as McDonald's, Gap & Starbucks illustrates, a recognizable brand can also become a lightning rod for criticism & protest.

### Exercises and assignments

1. Ask students to poll 10 or so consumers about their brand loyalty in various product categories (e.g., toothpaste, dishwashing soap, shampoo, deodorant, toilet tissue, soda, salsa, ice cream, cereal,

potato chips, jeans, running shoes, and socks). Are there brands or categories for which consumer loyalty is relatively high? How do consumers explain their loyalty or lack thereof? How are marketing strategies affected by consumer attitude and behavior patterns (or, alternatively, how should they be affected)? (Can be related to Branding Brief 1-1: Coca-Cola's Branding Lesson.)

2. Have students identify three brands that are on the endangered species list and 1) analyze reasons for the problems, and 2) suggest prescriptive marketing measures. Appropriate brands might include Wise potato chips, Oldsmobile cars, Tang drink, LifeSavers roll candy, J.C. Penney. (Can be related to Branding Brief 1-10 below: Branding Energy.)
3. Tell students to survey consumers about their buying behavior with respect to private label or store brands. In which product categories do such products pose the largest competitive threat to premium brands? Which retail stores have the strongest private labels?
4. Give a prize to the student who comes up with the best list (as voted upon by other students) of "weird" brands – products that don't seem to lend themselves to branding but yet are very successful in the marketplace. Candidates might include Blue Rhino propane gas, Banker's Box boxes, Rent-A-Husband home handyman service, Campbell's mushrooms, and Merry Maids housecleaning service.

### **Key take-away points**

1. A company's management of a brand is typically the determining factor in the ultimate success or failure of the brand.
2. Brands have differentiating features that distinguish them from competitors and add value for consumers.
3. Consumers often don't buy products, they buy *the images associated with products*.

**BRANDING BRIEF 1-9**  
**A GLIMPSE INTO THE PAST OF SELECTED BRANDS**

**Coca-Cola** (aerated drink and manufacturer) As one of the best known and most international of trade names, *Coca-Cola* was created in May 1886 by Frank M. Robinson, bookkeeper to the creator of the drink itself, Dr. John S. Pemberton, a druggist from Atlanta, Georgia, and was registered as a trademark on 31 January 1893. The name was based on two of the drink's constituents: extracts from *coca* leaves and from the *cola* nut. That coca leaves also yield cocaine is a connection that the manufacturers do not now prefer to emphasize, and it is certainly true that although the drink once contained a form of the drug, especially in the early days when it was advertised as an 'Esteemed Brain Tonic and Intellectual Beverage,' it contains none now. The name itself is a remarkably successful one as a memorable and easily pronounceable trade name, having alliteration and three desirable 'k' sounds (compare *Kodak*). *Coca-Cola* gained popularity rapidly—it was first bottled in 1894—to such an extent that the manufacturers were obliged to register a second name for it used by the public as a 'pet' form: *Coke*. The second element of the name is not a registered trademark, so that 'cola' drinks exist on the market in a number of varieties. Among names of rival brands (imposters) were Coca, Cola, Fig Cola, Candy Cola, Cold Cola, Cay-Ola, and Koca-Nola. All these were outlawed by the courts in 1916.

**Gillette** (safety razors, blades, and toiletries by *Gillette Industries*) The name comes from the company's first president, King Camp Gillette, who traced his name back to the Gillet family of Somerset, England. Gillette patented the first disposable razorblades in 1902, having the previous year founded his company for the manufacture of razors and blades, initially as the American Safety Razor Co. *Gillette* as a name has a favourable French appearance (although a bogus one) for products in the sophisticated toiletries market. Gillette's original blade had been perfected by William E. Nickerson, who designed equipment for the company. It was fortunate

that he had not been the actual inventor, since ‘Nickerson’ would hardly make a suitable name for a company selling razors and blades.

**Kodak** (photographic products and cameras and manufacturer) A trade name that is as well known internationally as *Coca-Cola*. The two names, in fact, appeared within two years of each other: *Coca-Cola* in 1886 and *Kodak* in 1888. *Kodak* as a name has no meaning: it is not intended to suggest any word (as ‘code’ or ‘compact’), nor does it derive from any word. It was invented by the American photographic pioneer, George Eastman, who patented it on 4 September 1888. Fortunately for posterity, Eastman has recorded the reasoning that prompted him to choose this particular name. He chose it, he says, “because I knew a trade name must be short, vigorous, incapable of being misspelled to an extent that would destroy its identity, and in order to satisfy trademark laws, it must mean nothing. The letter K has been a favourite with me—it seemed a strong, incisive sort of letter. Therefore, the work I wanted had to start with K. Then it became a question of trying out a great number of combinations of letters that made words starting and ending with K. The word Kodak is the result.’

It has been pointed out that the name is additionally onomatopoeic—it suggests the clicking of a camera’s shutter. It may also be relevant that ‘K’ was first letter of Eastman’s mother’s family name. The name has sometimes been used generically in a number of languages for a camera. This prompted the *Verband Deutscher Amateurphotographien Vereine* (Joint Society of German Amateur Photographic Associations) to issue the following warning (in German) in 1917: ‘Whoever speaks of a *Kodak* meaning only a photographic camera in general is not mindful of the fact that he is damaging the German industry in favour of the Anglo-American by widespread use of this word.’ George Eastman also invented the name of one of *Kodak*’s most popular cameras, the *Brownie*.

**Shell** (petroleum and manufacturer) The story of *Shell* began in the first half of the nineteenth century in the curio shop in East Smithfield, London, set up



by a Jewish dealer, Marcus Samuel. Samuel's children had fastened seaside shells to their empty lunch boxes on returning from a holiday, and the dealer made up a number of such boxes and labeled them with the names of the resorts the shells had come from. For the more sophisticated demands of his lady customers he imported fancy polished shells from abroad. His shop soon became known as the Shell Shop, and business expanded rapidly so that by 1830 Marcus Samuel had built up an international trade in oriental curios and copra, as well as shells. When barreled kerosene was added to his cargo list, the world-wide activities of the Shell Shop were consolidated as the *Shell* Transport and Trading Co. This was in 1897 when the firm had been taken over by Samuel's son, also called Marcus. (Marcus *père* died in 1870, aged 73.) The company adopted the scallop as its trademark in 1904.

**Sony** (electrical equipment and manufacturer) Many Japanese trade names turn out to be taken simply from the surname of a company founder or an inventor. *Sony* is rather different. When Japan's first transistor radio was produced by the Tokyo Tsushin Kogyo Kabushai Kaisha (company) in 1955 the directors understandably felt that they needed a much more 'streamlined' and international name for it than the full length company name. At first they considered "TTK, which was certainly better, but there already existed a TTK (Tokyo Kyuto KK, or Tokyo Express Co.) which would be confusing. Earlier, they had used 'Tape-corder' for their tape recorder and 'Soni' (from '*sonic*') for this machine's tape. Considering, 'Soni,' the directors felt that this would probably be mispronounced in English, as 'so-nigh.' But the international (Latin) base '*son*,' meaning 'sound,' was good, and an alteration of the final 'i' to 'y' would suggest 'sonny,' and give the name a homely, affectionate touch. If, however, the actual name was spelled 'Sonny' the Japanese would pronounce this as 'son-ny,' and this might be associated with the Japanese word for 'loss,' *son*. This would not do, since the radio was clearly intended to produce a profit! Finally, the variant Sony was decided on for the transistor, and the name passed to the company as a whole in 1958.

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<sup>a</sup>Reprinted from Adrian Room, *Dictionary of Trade Name Origins*, Routledge & Kegan

***BRANDING BRIEF 1-10***  
***BRANDING ENERGY<sup>ii</sup>***

Deregulation of the energy industry in some states during the mid-1990s enabled energy companies to compete for retail customers. The competition led many companies to step up their marketing programs in efforts to reach consumers recently empowered with the right to choose their energy provider. Spending on advertising in the energy industry rose from \$80 million in 1996 to \$180 million in 1997. Several companies also changed their names to make them more consumer-friendly, as when Panhandle Eastern became PanEnergy and Natural Gas Clearinghouse changed its name to NGC and later became Dynegy (for “Dynamic Energy”). Some power companies began offering loyalty programs while others appealed to consumers with cross-promotions with other utilities such as telephone and plumbing.

One of the first companies to make a significant investment in raising its public profile was Cinergy Corporation. In 1995, the company signed a \$6 million, five-year deal to rename Cincinnati’s Riverfront Stadium as Cinergy Field. Right before the deal was made, name recognition of the company stood at 50 percent in the greater Cincinnati area. Nine months after the renaming, name recognition in Cincinnati rose to 94 percent. Because of national television coverage for football and baseball, the Cinergy name became known all over the nation. Another energy company, Edison International, signed a \$30 million, 20-year deal with the Walt Disney to rename the Anaheim Angels “Big A” stadium Edison International Field.

Energy companies also used traditional advertising methods to build brand awareness. Following its 1998 name change, Dynegy was still relatively unknown among financial analysts and wholesale energy buyers according to a 2000 brand awareness study conducted by the company. The company suffered from a low-profile image despite the fact that it was one of the top three transporter’s in each interstate gas pipeline in North America and had annual revenues of \$29.4 billion in 2000. To raise awareness, Dynegy debuted its first national television advertising campaign in 2001, comprised of several 30-second spots that used humor to illustrate the company’s services. In one ad, an actress playing a

Dynegy employee arranges food on the dinner table so it resembles a power grid. Subsequent surveys revealed that recognition of the Dynegy brand increased significantly.

Power company's emphasis on marketing did not necessarily lead to a change in consumer behavior. In the two largest deregulated states, California and New York, only two percent of consumers switched utility companies. Allan Adamson, the managing director of brand expert Landor Associates, said of the energy industry, "This is a very difficult category to brand. Coming up with anything that's differentiating to customers beyond consistent power delivery is hard." This may help explain why spending on advertising in the category peaked at \$180 million in 1997. In 2000, only three power companies (Enron, Southern, Pacific Gas & Electric) had ad budgets that exceeded \$10 million.

Further troubles for the energy industry occurred when energy giant Enron, the leading energy marketer in the world and the seventh largest company in the U.S., declared bankruptcy in December 2001. Enron had been a major advertiser, boasting the largest ad budget of all the national utility companies at \$18 million in 2000. Enron also sponsored a stadium called Enron Field in Houston, where baseball's Astros play. After investors and analysts raised questions about Enron's business model, however, it was revealed that Enron had employed unorthodox accounting principles to misstate earnings. The company could not recover when credit rating companies downgraded Enron's debt to junk status in November 2001.

Enron's woes caused concern for the fate of the energy trading industry. Dynegy's stock fell 37 percent in the three weeks after it abandoned a rescue acquisition of Enron. Share prices for energy firms slumped in the wake of Enron's collapse. One energy consultant asserted, "Without a doubt, Enron's collapse has given the energy trading industry a black eye." Other energy companies tried to shake the stigma. Dynegy CEO, Chuck Watson, predicted that the intense focus on the energy industry would help the major players by forcing weaker competitors to exit the business, and insisted that the "Enron failure [wasn't] the failure of the energy merchant business." Other energy trading companies lined up to assure consumers that Enron's troubles were not indicative of an industry-wide problem. A spokesperson for California-based Calpine said, "Calpine is not another Enron."

## Chapter 2

## **Customer-Based Brand Equity**

### Overview

This chapter defines the concept that is the focus of the book. Customer-based brand equity (CBBE) is the differential effect that brand knowledge has on consumer response to the marketing of that brand. Brand knowledge is a function of awareness, which relates to consumers' ability to recognize or recall the brand, and image, which consists of consumers' perceptions of and associations for the brand. Building awareness requires repeatedly exposing consumers to the brand as well as linking the brand in consumer memory to its product category and to purchase, usage and consumption situations. Creating a positive brand image requires establishing strong, favorable and unique associations for the brand.

The chapter outlines the important contribution of brand knowledge to brand equity. Brand knowledge is composed of brand awareness, which is itself a function of recognition and recall, and brand image, which reflects the associations consumers hold for the brand in memory.

Brand awareness is important because 1) it is a necessary condition for inclusion in the set of brands being considered for purchase, 2) in low-involvement decision settings it can be a sufficient condition for choice, and 3) it influences the nature and strength of associations that comprise the brand image. Awareness can be heightened by increasing consumer exposure to the brand and by linking the brand to product category, consumption and usage situations.

A brand's image reflects all the associations consumers have for a brand in memory. The strength, favorability and uniqueness of the associations affect the response consumers will have to the brand and to its supporting marketing activities. Associations can be about attributes and benefits of the brand, or attitudes toward it. Attributes, which are descriptive features of a brand, can relate to the actual physical components and ingredients of a brand (product-related) or to such things as the price, imagery, feelings and experiences, and personality associated with the brand (non-product-related).

Benefits derived from a brand may relate to the functional advantages it provides, the symbolic information it conveys, or the experiential feelings it produces. Attitudes, which represent the highest level of brand associations, reflect consumers' overall evaluations of a brand and, consequently, often determine their behavior toward it.

The strength of associations depends upon the relevance of information consumers encounter about the brand and the consistency with which the information is presented over time. Favorability is a function of the desirability or value of the associations in attitude formation and decision-making, and of their deliverability or performance probability.

The chapter then outlines the Customer-Based Brand Equity Model, which maintains that building a strong brand involves a series of logical steps: 1) establishing the proper brand identity, 2) creating the appropriate brand meaning, 3) eliciting the right brand responses, and 4) forging appropriate brand relationships with customers. Specifically, according to this model, building a strong brand involves: 1) establishing breadth and depth of brand awareness; 2) creating strong, favorable, and unique brand associations; 3) eliciting positive, accessible brand responses; and 4) forging intense, active brand relationships. Achieving these four steps, in turn, involves establishing six brand building blocks – brand salience, brand performance, brand imagery, brand judgments, brand feelings, and brand resonance.

The strongest brands excel on all six of these dimensions and thus fully execute all four steps in building a brand. With the CBBE model, the most valuable brand building block, brand resonance, occurs when all the other core brand values are completely “in sync” with respect to customers' needs, wants, and desires. *In other words, brand resonance reflects a completely harmonious relationship between customers and the brand.* With true brand resonance, customers have a high degree of loyalty marked by a close relationship with the brand such that customers actively seek means to interact with the brand and share their experiences with others. Firms that are able to achieve resonance and affinity with their customers should reap a host of valuable benefits, e.g., greater price premiums and more efficient and effective marketing programs.

Then, the implications of the CBBE model are described: some of: consumers own brands, brand managers should not take shortcuts in building a brand, brands should appeal to consumers' rational

and emotional sides, brands should have richness in order to facilitate strong bonds with consumers, and achieving brand resonance should be a key point of focus for marketers.

The chapter concludes by discussing ways for creating customer value through Customer Relationship Management. Also, the concept of “Customer Equity” is introduced and the current research in this area is described (Blattberg & Colleagues; Rust, Zeithaml & Lemon; and Kumar & Colleagues). Finally, the relationship of Customer Equity to Brand Equity is analyzed.

Brand Focus 2.0 details the advantages of creating a strong brand. These include greater loyalty and less vulnerability to competitive marketing actions and crises; larger margins; greater trade cooperation and support; increased marketing communication effectiveness; possible licensing opportunities; additional brand extension opportunities; and a number of other advantages.

### **Science of Branding**

2-1: No Logos

2-2: Putting Customers First

### **Branding Briefs**

2-1: Eliciting Feelings for the Hallmark Brand

2-2: Building Brand Communities

2-3: Putting a Face to the Customer at Jones Soda

### **Additional Branding Briefs:**

2-4: Australians Know Beer...Or Do They?

2-5: To be a Pepper or Not to Be a Pepper...

### **Discussion questions**

1. *Pick a brand. Attempt to identify its sources of brand equity. Assess its level of brand awareness and the strength, favorability, and uniqueness of its associations.*

Answers will vary. Not all brands will have strong, favorable, or unique associations, which could be an interesting area for discussion.

2. *Which brands resonate with you? Why?*

It might be interesting to contrast the types of brands that resonate with students. Product and

service brands will likely be the most common responses, but students might also answer that certain places, organizations, or ideas resonate with them.

3. *Can every brand achieve resonance with its customers? Why or why not?*

Not every brand can achieve resonance, because it requires a strong personal and psychological attachment to the brand. A brand that customers buy out of necessity, based on price or availability, is not likely to create resonance with those customers. For example, “price loyalty” is not the same as behavioral loyalty, because as soon as a lower-priced brand enters the market, price loyal customers will probably switch. The four components of brand resonance (behavioral loyalty, attitudinal attachment, sense of community, and active engagement) could be discussed here.

4. *Pick a brand. Assess the extent to which the brand is achieving the various benefits of brand equity.*

Answers will vary.

5. *What do you think of Naomi Klein’s positions as espoused in No Logos? How would you respond to her propositions? Do you agree or disagree about her beliefs on the growth of corporate power?*

Students could be divided into two groups to debate Klein’s positions. Students are encouraged to set their points of view and recommend directions for strong brands to sustain their positions and avoid being negatively “politicized”.

### **Exercises and assignments**

1. Have students conduct a Coke-Pepsi taste test, either in or out of class, and discuss the results and the reasons behind consumer preferences. It might be useful to have half the class do a blind taste test, and half the class do a “sighted” taste test, and compare the results. (Can be related to Branding Brief 2-8 below: Australians Know Beer – Or Do They?)
2. Ask students to pick two brands in each of three or four different product categories, then compare the sources of brand equity for each pair. This exercise is a good way to demonstrate the stronger positioning strategies and franchises that some brands enjoy relative to their competition.

Focal brands might include:

Charles Schwab vs E\*Trade

Frederick’s of Hollywood vs Victoria’s Secret

Maytag vs Kenmore washing machines

FedEx vs USPS Express Mail

3. Bring in or have students bring in examples of consumer sales promotions. Analyze each in terms of its ability to build or bash brand equity. Suggest alternative promotion ideas. Pick the best and worst of the lot and explain what makes them good or bad. (Can also be used in Chapter 6.)

**Key take-away points**

1. Customer-based brand equity is the differential effect of brand knowledge on consumer response to the marketing of a brand.
2. Positive brand equity results when consumers are familiar with the brand and have strong, favorable and unique associations for it.
3. The power of the brand and its ultimate value to the firm resides with customers.



**BRANDING BRIEF 2-4**  
**AUSTRALIANS KNOW BEER -- OR DO THEY?**

The reality is that in many product categories, brands are not that different in their actual product performance. Australians are well-known for their beer-drinking loyalty and prowess. Australians have extremely strong and well-defined brand preferences, often based on regional differences. In Queensland, XXXX reigns supreme where in the state of Victoria, beer drinkers ask for Victoria Bitter (VB). The only strong national brand is Foster's Lager, which has also been the recipient of a considerable financial investment to take advantage of its Australian heritage to develop markets worldwide.

Many Australian breweries make more than one beer, supporting them with different marketing programs and targeting different market segments. For example, the large Carlton and United Breweries (CUB) makes both Foster's Lager and Victoria Bitter. Recently, the *Sydney Morning Herald* reported that Castlemaine Perkins, a rival brewer to CUB, issued a press release claiming that examination and analysis of data on CUB's Foster's Lager and Victoria Bitter beers from four sources over a five year period showed that the only consistent variation between the two beers was that VB had a higher color content!

Specifically, the press release reported that qualified chemists had examined six flavor profiles of the beers and concluded they showed similar analytical patterns. A spokesman for the analysts said the tests were standard industry ones using a technique called "wet chemistry" and included specific gravity (for the fullness in a beer), bitterness, pH, color, alcohol, head retention, carbonation, haze stability, aroma tests and carbohydrate tests.

CUB's head brewer in Brisbane, Noel Jago, complained of an opposition smear campaign but admitted that most of CUB's full strength beers were similar and "reasonably close in many aspects." He maintained, however, that although the same hops, sugar, malt, and yeast were used in making the two beers, the difference was in the combination of basic ingredients. He also noted that the carbon dioxide, specific gravity and other normal parameters were similar, but the fine tuning in fermentation and filtration made the difference.

"There is not a hell of a difference in taste but the difference is there," Jago said. He said anyone who doubted the difference in the beers was entitled to "come and see themselves."

**BRANDING BRIEF 2-5**  
**TO BE A PEPPER OR NOT TO BE A PEPPER ...<sup>1</sup>**

Finding the right brand personality for the right group of consumers can be challenging. A brand with the right personality can result in a consumer feeling that the brand is relevant and "my kind of product." A consumer may be more willing to invest in a relationship or even develop a "friendship" with the brand as a result. Advertising in particular often needs to reflect the appropriate brand personality. The first question members of the creative department in an ad agency often ask a new client is, "what is the personality of the brand?" The answer that is given often takes on great importance as they develop the ad campaign.

Defining the target market can have profound implications on the resulting positioning. The extent to which users and non-users agree can provide strategic direction. Dr Pepper is an unusual tasting soft drink with an unusual name. Its first major ad campaign stressed that it was "America's Most Misunderstood Soft Drink," establishing the brand as a feisty, irreverent underdog that stood out from the crowd. Later ads repositioned the brand, however, in different ways.

For example, to capitalize on its growing popularity, the "Be a Pepper" campaign was launched. The mainstream shift created problems because although some loyal Dr Pepper drinkers still saw the brand as original, fun, and offbeat, in spite of the advertising, others rejected the new mainstream appeal. Recognizing this shift, Dr Pepper returned to a campaign stressing the brand's individuality by urging consumers to "Hold Out for the Out of the Ordinary." The shift brought new and old users into the fold and led to sales growth in the 1980s. More recently, however, Dr Pepper has returned to a more mass-market appeal, invoking heart-tugging images of small-town America. This shift created an opportunity for the brand to recapture its heritage with these underdog supporters. Ads in the 1990s proclaimed that the brand was "Just What the Dr. Ordered."

The small-town imagery appealed to consumers, and Dr Pepper grew at a seven percent annual rate between 1990 and 1999. During that same interval, the brand doubled shipments of its product, which reached 5 billion cases in 1999. The company continued with a feel-good campaign featuring the jingle "Dr Pepper Makes the World Taste Better." In 2000, Dr Pepper's share of the soft-drink market held steady at 6.2 percent – good enough for sixth place in the category – while two of the top five soft drink brands saw their share fall. 2001 saw a new campaign themed "Be You" featuring popular singer Garth Brooks.

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<sup>1</sup> Theresa Howard. "With Dr Pepper, 7UP Both Clicking, Bottlers Are Ready for Flavor Crusade." *Brandweek*, October 11, 1999. Ronald Alsop, Dr Pepper Is Bubbling Again After Its 'Be a Pepper' Setback, *Wall Street Journal*, September 26, 1985, p. 33. Betsy Sharkey, "David Naughton: Wouldn't He Like to Be a Pepper II?" *ADWEEK*, May 16, 1988, p. 10. Kevin Goldman, "Dr Pepper Wraps Ads in Stars and Stripes," *Wall Street Journal*

## Chapter 3

### Brand Positioning and Values

#### Overview

This chapter deals in greater detail with brand positioning and the key role it plays in creating positive brand equity. Positioning refers to the place in consumers' minds occupied by the brand. The positioning strategy a marketer adopts for a brand will influence the knowledge structures consumers develop.

The chapter addresses how ideal or desired brand knowledge structures can be defined with respect to brand positioning. This involves selecting a target market, segmenting the market, and evaluating the competition. With respect to competition, positioning the brand with points-of-parity and points-of-difference is discussed next. Points-of-difference are characteristics unique to the brand that help distinguish it from the competition, while points-of-parity may be shared by other brands in a given category.

Once a brand has an established positioning, it may be necessary to update the positioning over time. The chapter discusses the laddering technique used to deepen the meaning of brand associations in the minds of consumers. The chapter also details how marketers can change positioning in response to competition by either doing nothing, going on the offensive, or going on the defensive.

Next, the internal aspects of branding are explored. The chapter provides information on how to establish brand values. Marketers can use a mental map to represent all associations and responses consumers have regarding the brand. The core brand values are the five or ten most important attributes or benefits of the brand that appear on the mental map. A brand mantra can capture the core brand values and provide the essence of the brand in a short phrase. Next, the importance of internal branding is discussed.

Finally, this chapter concludes by detailing the process of a brand audit. an important informational

and diagnostic tool to help marketers determine the overall state and health of the brand. The two steps of the brand audit, the brand inventory and the brand exploratory, provide marketers with a complete picture of the brand and consumers' perceptions of it. This Brand Focus can help students if they are conducting a brand audit project and can be highlighted as such in the course syllabus.

Brand Focus 3.0 at the end of the chapter discusses the Brand Audit for the Rolex brand. It could be used as an illustration of how brand audits are conducted.

### **Science of Branding**

None.

### **Branding Briefs**

3-1: Trying to Find Some Homes for New Diet Colas

3-2: Dividing Up Gasoline Buyers

3-3: Digital Convergence Changing the Consumer Electronics Industry

3-4: Competitive Frames of Reference for FedEx

3-5: Positioning Politicians

3-6: Nike Brand Mantra

3-7: Disney Brand Mantra

### **Additional Branding Briefs:**

3-8: What Makes a Brand Different?

3-9: Bingo! We Have a Brand

### **Discussion questions**

1. *Apply the categorization model to a product category other than beverages. How do consumers make decisions regarding whether or not to buy the product and how do they arrive at their final brand decision? What are the implications for brand equity management for the brands in the category? How does it affect positioning for example?*

The financial services category is another good category to examine. Banks and brokerage firms offer consumers similar services within their respective categories, but they differ on many levels, including price, level of service, comprehensiveness, special features, and incentives. It is important for all financial services brands to provide trust, dependability, and income generation as points-of-parity; points-of-difference may be customer service, ease of use, location, or Internet accessibility.

2. *Pick a brand. Describe its breadth and depth of awareness.*

Answers will vary.

3. *Pick a category basically dominated by two main brands. Evaluate the positioning of each brand. Who are their target markets? What are their main points-of-parity and points-of-difference? Have they defined their positioning correctly? How might it be improved?*

Some two-brand dominated categories include ready-to-drink orange juice (Tropicana and Minute Maid), batteries (Eveready/Energizer and Duracell), ketchup (Heinz and Hunt's), and light bulbs (General Electric and Philips).

4. *Can you think of any other negatively correlated attributes and benefits? Can you think of any other strategies to deal with negatively correlated attributes and benefits?*

Other negatively correlated attributes might include advanced technology vs. ease of use; sophisticated vs. generally available; elegance vs. utility; ease of maintenance vs. complexity; stylish vs. common.

5. *Think of one of your favorite brands. Can you come up with a brand mantra to capture its positioning?*

Answers will vary.

### **Exercises and assignments**

1. Bring in a wide assortment of products that compete at varying levels of intensity and directness. Have a student volunteer separate the products into competitive groups and label and explain the groupings.

The products should exhibit significant variety. An illustrative assortment might include different brands of light, bottled draft, non-alcoholic, imported, microbrewed, and regular beer; hard liquor; white and red wine; diet, caffeine free, caffeinated, cola and non-cola forms of soda; flavored and non-flavored bottled water; fruit and sports drinks; vending machine items, and even oranges and apples.

The exercise typically generates a great deal of discussion, which can proceed in a number of different directions. It can be most productive if you ask the student volunteer to adopt the perspective of a brand manager for a specific brand. Then you will have an opportunity to talk about 1) how the competitive sets have changed over time (e.g., beer and wine became major competitors to hard liquors about 15 years ago; bottled waters began to compete more intensely

and directly with sodas about five years ago); 2) how a short-term planning focus would lead to different budget allocations than a long-term planning focus would (e.g., in the short run Pepsi is always Coke's biggest challenger, but in the long run fruit drinks and bottled waters have posed and might continue to pose substantial threats); 3) how product proliferation has given rise to more intra-brand competition (e.g., Miller Lite vs. Miller High Life vs. Miller Genuine Draft, etc.); 4) how the usage situation influences perceptions of brand competition (e.g., at a bar an individual might order a Samuel Adams but only drink Budweiser at home).

2. Tell students to imagine they are sitting in a room with two doors. When a knock sounds at each, the butler (!) announces that a particular brand is at one entrance to the room (e.g., Target), while another brand is at the other (e.g., Wal-Mart). Ask students to describe each brand in terms of what it would look like, what it would be wearing, what it would say when you went to the door, and what its reason for visiting was. (Alternatively, you can have students conduct this assignment outside of class by talking to consumers.) (Can be related to Branding Brief 3-10 below: What Makes a Brand Different?)

This projective technique, when used in the context of pairs of brands, helps uncover different beliefs, knowledge, images and opinions that consumers hold. Other possible examples are:

Nike vs. Reebok

California vs. Nebraska

Your university vs. another

Mountain Dew vs. Sprite

E\*Trade vs. Charles Schwab

3. Have students create mental maps for several well-known brands. Have them use these mental maps to develop brand mantras that capture the core values and attributes of the brands. Then have the students compare the mantras they generated with the actual brand mantras. Are they similar? Why or why not? Possible companies include Nike (Authentic Athletic Performance), and Disney (Fun Family Entertainment).

4. Have students analyze the past, present, and future sources of competition for a major brand in a changing marketplace and then develop strategies for keeping the brand strong in light of the changes.

For example, the computer and the telephone have had a dramatic impact on the greeting card industry. How has Hallmark Cards responded thus far and what should they do in the future to protect and maintain brand equity? Other brands to examine might include Blockbuster Video, which is facing a threat from computers as a delivery vehicle for movies; Brillo pads, whose franchise has been hurt by the rise of non-stick cookware, microwaves, and dining out; and FedEx, which now finds itself competing against e-mail and fax machines.

### **Key take-away points**

1. Through the selection of a positioning strategy, marketers can influence the knowledge structures consumers have for a brand.
2. Positioning a brand involves choice of a target market, a competitive arena, and the sets of features and associations in which a brand is going to be similar to and different from its rivals.
3. Points-of-parity and points-of-difference are important means by which brands can establish unique positioning.
4. Internal branding strategies can be as important and effective as external branding efforts.

**BRANDING BRIEF 3-8**  
**WHAT MAKES A BRAND DIFFERENT?**

A recently reported study examined the factors that discriminate between a number of top brands.<sup>2</sup> Specifically, category users were surveyed concerning their brand perceptions in the following product categories:

- 1) Airlines (American, Continental, and United)
- 2) Beer (Budweiser, Coors, and Miller)
- 3) Coffee (Folgers, Maxwell House, and Nestle)
- 4) Fast Food (Burger King, McDonald's, and Wendy's)
- 5) Hotels (Hilton, Holiday Inn, and Marriott)
- 6) Long Distance Telephone (AT&T, MCI, and Sprint)
- 7) Soup (Campbell's, Lipton, and Progresso)

Study respondents rated the brands on a number of functional, economic, psychological, social, and cultural factors. The results were analyzed with some advanced multivariate techniques to yield a perceptual space. Several observations are relevant. First, brand type can be more important than category to the positioning of a brand. Thus, Campbell's soup may have as much in common in many ways with Maxwell House coffee as with Lipton or Progresso soup. Second, within a category, there was a brand hierarchy in terms of the five factors that subjects rated. The functional and economic dimensions were the ones found to be most desirable; however, the dimensions most closely associated with brand choice dealt with the cultural, social, and psychological factors.

The researchers who conducted the study interpreted these findings as indication that an “equity hierarchy” existed with the stated economic and functional dimensions as a "cost of entry" base and the derived cultural, social, and psychological dimensions as the key brand choice differentiators. In other words, the study findings could be interpreted in terms of the positioning concepts presented here as stating that economic and functional characteristics are often points-of-parity associations and cultural, social, and psychological factors are often points-of-difference associations, at least as far as these generally mature, well-known brands go.

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<sup>2</sup>James F. Donius, "Brand Equity: A Holistic Perspective," ARF Brand Equity Conference, February 15-16.



***BRANDING BRIEF 3-9***  
***BINGO! WE HAVE A BRAND<sup>3</sup>***

Gala Clubs, the largest bingo operator in the UK with roughly 40 percent of the market, employs 6,700 employees who mostly work part-time. In 2000, Gala initiated an internal branding program called “The Gala Difference” which was intended to create a strong customer service commitment among employees. The Gala Difference cultivates the relationship between employee and customer by making highly personalized service a priority. The company encourages its employees to establish first-name relationships with customers.

Gala conducted extensive internal research to explore the attitudes of its employees toward the brand and the customers. The company distributed a survey to determine whether Gala employees were aware of what the brand represented and whether they considered themselves to be living the brand. More in-depth interviews and focus groups followed. The results of the research led to the following recommendations for Gala:

- Re-inspire people around the brand and the role Gala had in changing perceptions of bingo
- Work with club managers to create local business plans focusing on communications, business objectives, people management and service excellence
- Create a continual learning experience for staff to raise awareness of customer service

To inform its employees of the Gala Difference program, the company’s sales and marketing director sent a letter to each employee that explained the program and emphasized that “internal change is not brought about just by TV campaigns and marketing slogans, but by what employees deliver.” A booklet that contained the results of the survey was also distributed to employees in order to give them insights as to how their co-workers felt about the brand and to foster a sense of community. Additionally, Gala produced a video that described best practices for bingo and demonstrated what exceptional customer service entailed. Finally, the company set up “make a difference” training sessions at each club where general managers shared best practices and sought out “pockets of excellence” in each club.

Gala anticipated the Gala Difference would have a positive effect on the company’s bottom line. When

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<sup>3</sup> [www.gala-bingo.co.uk](http://www.gala-bingo.co.uk); Luciana Palmisano. “Eyes Down for a Full House.” Brand Strategy, October 2000

the employees live the brand, Gala reasoned, they would bring about greater customer satisfaction. This would lead to increased admissions through repeat visits and word-of-mouth referrals, which in turn would generate increased profitability. In 2000, admissions rose 15 percent from 1999, while operating profits increased by 38 percent to \$54 million.

## **Chapter 4**

### **Choosing Elements to Build Brand Equity**

#### Overview

Chapter 4 examines the elements that marketers can use to identify and differentiate a brand. Names, logos, symbols, characters, slogans, URLs, jingles and packages all influence a company's ability to build awareness and image for a brand and, consequently, have a direct impact on the degree of positive brand equity that can be established. Brand elements can be judged on the merits of their brand-building ability by isolating the element in a consumer survey and measuring consumers' response to the brand based solely on the isolated element. If the consumers infer or assume a certain valued association or response, the element is said to contribute positively to brand equity.

Six general criteria should govern a firm's choice of brand elements. First, an element should be memorable, or easy to recognize and recall. Second, an element should be meaningful, or descriptive, persuasive, inherently fun and interesting, and rich in visual and verbal imagery. Third, an element should be likeable to consumers, in an aesthetic sense and in an emotional sense. Fourth, an element should be transferable within and across product categories, and across geographical and cultural boundaries. Fifth, an element should be adaptable, or flexible and capable of being updated over time. Sixth, an element should be protectable, both legally and competitively.

Next, the chapter discusses the benefits and drawbacks inherent in the choice of each type of brand element. For example, selecting a familiar-sounding name for a brand would likely lead to high

recallability, but recognition often requires brand names to be different, distinct, or unusual. Fictitious or coined names are often used to satisfy this criteria. Brand characters are beneficial because they typically aid awareness, reinforce key brand strengths, add elements of fun, excitement, humor, etc., and can be transferred across product categories. Consumer associations with a brand character can be so strong, however, that they actually dampen awareness by dominating other brand elements. Also, brand characters must be updated over time.

The chapter ends by discussing how brand elements can be “mixed and matched” for maximum equity building. Brand elements must be mixed to achieve different positioning objectives, for instance. It is also important to match brand elements by ensuring that they harbor similarities that reinforce some shared meaning. Taken together, the entire set of brand elements makes up the brand identity, which reflects the contribution of all the elements to awareness and image.

Brand Focus 4.0 discusses legal issues for branding. These include trademark protection from counterfeit and imitator brands, trademark issues with generic names, and trademark issues with packaging.

### **Science of Branding**

4-1: Brand Design & Aesthetics

4-2: Counterfeit Business is Booming

4-3: Balance Creative and Strategic Thinking to Create Great Characters

4-4: Brand Makeover Experts: Landor Associates

4-5: The Psychology of Packaging

### **Branding Briefs**

4-1: Branding a New Soft Drink

4-2: Geiko Geco Becomes Advertising Icon

4-3: Bringing Betty Crocker into the 1990s

4-4: Benetton's Brand Equity Management

4-5: Inside a Packaging Makeover

### **Additional Branding Briefs:**

4-6: New Wine, New Bottles

### **Discussion questions**

1. *Pick a brand. Identify all of its brand elements and assess their ability to contribute to brand equity according to the choice criteria identified in the chapter.*

Answers will vary.

2. *What are your favorite brand characters? Do you think they contribute to brand equity in any way? How? Can you relate their effects to the customer-based brand equity model?*

Brand characters relate to the customer-based brand equity model because they can contribute to the differential effect in a consumer's response to marketing. Characters can create positive associations and feelings toward the brands they represent, improve awareness, develop additional brand knowledge, and lead to consumer resonance with the brand.

3. *What are some other examples of slogans not listed in the chapter that make strong contributions to brand equity? Why? Can you think of any "bad" slogans? Why do you consider them to be so?*

Slogans could be considered "bad" for a variety of reasons. For example, a slogan might be "bad" if it seems outdated to consumers, if it focuses on an inappropriate or irrelevant aspect of the brand, if it strives for humor but falls short, if it is confusing, if it is overly complicated, and so forth.

4. *Choose a package for any supermarket product. Assess its contribution to brand equity. Justify your decisions.*

Answers will vary.

5. *Can you think of some general guidelines to help marketers "mix and match" brand elements? Can you ever have "too many" brand elements? Which brand do you think does the best job of "mixing and matching" brand elements?*

Guidelines for mixing and matching brand elements might touch on presenting a cohesive and consistent image for the brand, ensuring that brand elements are not too disparate, and reinforcing the brand's positioning.

### **Exercises and assignments**

1. Have students make a list of brand slogans, analyze what each communicates, and explain why the parent firm would select it.
2. Ask students to develop a brand name, logo and symbol, slogan, package and, if appropriate, character for a new product. Discuss how the elements would change if the target market changed. Candidates might include a men's fragrance, a laundry detergent, a battery-free wind-up flashlight, and a sparkling fruit drink. (Can be related to

3. Tell students to pick two brands from the same product category and compare their brand elements in terms of their memorability, protectability, adaptability, meaningfulness, and transferability. Haagen-Dazs vs Ben and Jerry's ice cream, Aquafina vs. Dasani water, Michelin vs. Goodyear tires, Holiday Inn vs. Comfort Inn motels, Heineken vs. Michelob beer, and Budweiser vs. Miller beer could be used.
4. Bring in or have students bring in competing brands so that their packages can be compared. Discuss the reasons for the similarities and differences between them, as well as the pros and cons of each.

**Key take-away points**

1. A brand's identity is created through the choice of a name, URL, logo, symbol, slogan, package, jingle, and character.
2. Brand elements should be memorable, meaningful, transferable, adaptable and protectable.
3. The brand-building potential of brand elements can be gauged by asking consumers what they would think about the product if they knew only its name, logo, and other identity characteristics.
4. All the brand elements for a particular brand create the brand identity, which conveys the contribution of these elements to image and awareness.

**BRANDING BRIEF 4-6**  
**NEW WINE, NEW BOTTLES<sup>4</sup>**

Also picking up on the packaging trend — and in the face of slumping sales — wine makers have gone beyond pretty labels to consider selling the fruits of their labor in bottles of different shapes and sizes. As one packaging expert noted, "Wine makers are finding out that packaging can be a real important part of a product's appeal. Not just a prettier label but a functionally different package." To illustrate some of the changes, note the following observation by one marketing commentator:

“If you're taking a lunch break on the ski slopes, you can open up a 187 milliliter screw-cap bottle, the size that used to be found only on planes but now can be bought in supermarkets and at mountaintop ski cafes. If you're expecting lots of relatives for the holidays, you can try a five-liter bag-in-a-box. If you're having an intimate dinner with a temperate date, uncork a 500 milliliter bottle, which holds four glasses instead of the six in the standard 750 milliliter bottle.”

Although still relatively small in absolute terms, these new packages have seen the fastest relative growth in sales in the category. New packages are even being used for varietal wines (i.e., wines identified with a particular grape such as with chardonnays), as well as with the blended jug or generic wines. Wine makers are hoping that at least some consumers will trade image and status for convenience (with smaller bottles) and value (with bigger bottles).

Some wineries are also changing the look of their packaging. In recent years, wineries have altered the appearance of the bottle's neck bands, added a flange to the bottle lip, and replaced wooden corks with colored plastic ones. One popular alteration is to change the hue of the bottle to deep blue. Schmitt Schone, a German wine producer that typically sold 6,000 cases annually, switched its Riesling bottle from green to blue, and within six months sold 60,000 cases. Others popular cosmetic changes to wine bottles include using frosted glass and

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<sup>4</sup> Lourdes Lee Valeriano, "Wine is Bottled in More Shapes and Sizes," Wall Street Journal, December 9, 1993, p. B-1. Elizabeth Jensen. "Blue Bottles, Gimmicky Labels Sell Wine." *Wall Street Journal*, July 7, 1997; Terri Allan. "Wine Packaging Comes of Age." *Brand Packaging*, September/October 2000.

clear labels. When Sutter Home Winery, the fourth-largest wine seller in the U.S., began using a clear label, sales increased 25 percent the following year. One expert attributes the packaging changes to the desire for wineries to stand out from the crowd, saying, "It's a fragmented, competitive business. If a winery can gain an advantage by staying vibrant [in its packaging] they're going to do it."

## **Chapter 5**

### **Designing Marketing Programs to Build Brand Equity**

#### Overview

This chapter explores the contribution of three of the four marketing Ps -- product, price and place -- to customer-based brand equity. The creation of equity effectively begins with the design of a product or service that satisfies consumer wants and needs. Perceived quality, which influences attitude and behavior, reflects consumer assessments of the relative superiority of a brand on dimensions related to performance, design, durability and other factors. Perceived value reflects consumer judgments about a brand's price-quality relationship.

The chapter also discusses some of the new developments in personalized marketing. Experiential marketing, where the marketer focuses on connecting the consumer to the brand through a unique experience, is one emerging personalized marketing technique. Others include one-to-one marketing, where the marketer uses technologies such as the Internet to target individual consumers with individualized marketing messages; and permission marketing, where the marketer seeks permission in advance from consumers to send them appropriate, relevant marketing materials.

Pricing strategy can affect consumer perceptions of a brand's position in its product category and of its overall quality. Many firms now employ value pricing, in which a brand's price is based on considerations of product quality, product costs, and product prices that satisfy consumer needs as well as the profit goals of the firm. Another popular strategy is everyday low pricing, which entails reducing or eliminating discounts and sales promotions in favor of an everyday fair price.

A brand's distribution strategy also has an important influence on the creation of customer-based equity. Channels are of two broad types: direct, which involves selling to customers by mail, phone, the

Internet, or personal visit, and indirect, which involves selling through intermediaries. The image a retailer has in the minds of consumers and the actions it takes with respect to stocking and selling products can affect the equity of the brands it sells. Therefore, it is in a firm's interest to treat channel members as customers and assist in their selling efforts.

The chapter concludes with a discussion of private labels in Brand Focus 5.0, noting that they primarily threaten brands that are overpriced, under-supported, or undifferentiated. It is important not to confuse private labels with generic brands, because private labels identify the source of the product. The source is usually the chain in which the private label is sold, which is why private labels are also called "store brands." Major brands employ a number of strategies to fight private labels, from value pricing to continued product innovation.

### **Science of Branding**

5-1: Making Sense out of Brand Scents

5-2: Understanding Consumer Price Perceptions

5-3: Eight Steps to Better Pricing

### **Branding Briefs**

5-1: Marlboro's Price Drop

5-2: Selling Luxury Goods at Louis Vuitton Moet Hennessey (LVMH)

5-3: Procter & Gamble Launches EDLP Value Pricing

5-4: Good Year's Partnering Lessons

### **Additional Branding Briefs:**

5-5: The Challenges of Launching a New Brand

5-6: Pricing Showdown in the Cereal Market

5-7: Expanding the E\*Trade Brand

### **Discussion questions**

1. *Have you had any experience with a brand that has done a great job with relationship marketing, permission marketing, experiential marketing, or one-to-one marketing? What did the company do? Why was it effective? Could others learn from that?*

Answers will vary.



2. *Think about the products you own. Assess their product design. Critique their "aftermarketing" efforts. Are you aware of all of the products' capabilities? Identify a product for which you feel you are not fully capitalizing on all of its benefits. How might you suggest improvements?*

Products common with students that have many capabilities and benefits as well as after-marketing efforts are likely to be technological items, such as computers, software, digital assistants, and cell phones. Other common categories include sport and recreation equipment, automobiles, and entertainment electronics.

3. *Choose a product category. Profile all the brands in the category in terms of pricing strategies and perceived value. If possible, review the brands' pricing histories. Have these brands set and adjusted prices properly? What would you do differently?*

The cigarette industry is interesting for exploring pricing and pricing history. Major brands have altered pricing strategies over the years (can be tied in with Branding Brief 2-8: Marlboro's Price Drop). Major brands also established flanker or "fighter" brands to protect their premium price. The premium national brands, such as Marlboro, Camel, and Winston, currently keep their prices constant relative to one another. The cereal category is another interesting category to investigate (can be tied in with Branding Brief 5-9 below: Pricing Showdown in the Cereal Market).

4. *Take a trip to a department store. Evaluate the in-store marketing effort. Which categories or brands seem to be receiving the biggest in-store "push?" What unique in-store merchandising efforts do you see?*

Answers will vary.

5. *Take a trip to a supermarket. Observe the extent of private-label brands. In which categories do you think private labels might be successful? Why?*

Supermarkets use private labels extensively for "commodity products" like milk, cheese, and condiments; for "me-too" products like cereals, snack foods, and soups; and a variety of other products. Private labels are more likely to be successful in low-involvement categories where they can compete primarily on price.

### **Exercises and assignments**

1. For each of the four Ps, have students identify an exemplar brand whose strategy is different from and superior to that of its competition. Discuss the role the particular strategy plays in the brand's success. For example, Microsoft has an outstanding record of new product hits; WalMart's pricing strategy is a major factor behind the retailer's market domination; BP's policy of *not* locating gas stations on corner properties gives it a distribution cost advantage over rivals; Snapple's unique advertising quickly built national awareness and preference for what initially was a tiny, unknown brand.

2. Ask students to survey consumers to identify product categories in which they engage in brand switching and determine what influences their behavior. Discuss the implications for marketing strategy of those influencing factors.
3. NASCAR teams – and the collateral merchandise and sponsorships that goes along with them – have been growing in popularity in recent years. Have students pick a NASCAR team and analyze the factors (team name, drivers, sponsors, licensing, promotions, etc.) that contribute to its brand equity.
4. Ask students to find a brand whose sole or primary distribution channel is the internet. Discuss the likely reasons for the brand's highly focused strategy and the positive and negative consequences of it.

#### **Key take-away points**

1. All of the four Ps – not just promotion – have important roles to play in the creation and maintenance of brand equity.
2. Personalized marketing is an emerging strategy to build brand awareness and brand loyalty.
3. The products and services that firms design are the cornerstones of customer-based brand equity.
4. Pricing strategy must be based on consumers and the competition, as well as cost and quality considerations.
5. Channel members should be thought of and treated as valuable customers whose image and actions can hurt or enhance brand equity.

**BRANDING BRIEF 5-5**  
**THE CHALLENGES OF LAUNCHING A NEW BRAND<sup>5</sup>**

In 1996, Seagram Co. executives noticed a change in the vodka market. The popular Absolut brand of vodka, which Seagram distributed, was being replaced on the top shelf of trendy restaurants and nightspots by upstart “superpremium” vodkas like Grey Goose, Ketel One, and Belvedere. These superpremium vodkas came in tall, elegant cut-glass bottles and typically cost up to four dollars per glass more than Absolut. Research indicated that some of Absolut’s core customers had switched to the premium brands. Seagram sought to counter this trend by developing a high-end vodka in partnership with Absolut named Sundsvall after the Swedish town where it was distilled.

Sundsvall was positioned as a “super-Absolut, whose pedigree would make up for its late arrival and obliterate the rival upstarts.” Bottles of Sundsvall cost \$30, twice as much as Absolut and more than four dollars more than Belvedere. While the other bottles in the category were made from either cut or frosted glass, the Sundsvall bottle was designed with clear glass and an orange shrink-wrap top in order “to stand out from the crowd.” In 1998, Absolut and Seagram launched the brand with a modest \$2 million advertising budget. The companies devised what they called a “discovery” strategy, where Sundsvall was initially marketed only in eight metropolitan test markets in order to build buzz. In these markets, Sundsvall sponsored or hosted special events, such as invitation-only dinners at expensive restaurants where the brand was served exclusively.

When Sundsvall launched nationally, it garnered a lukewarm reception. One problem: premium brands like Belvedere had already been on the market for three years. Another problem was the packaging. Bartenders agreed that the product was high quality, but one bartender claimed the bottle “was too discreet for where it was competing.” Compared with the competition, Sundsvall sold at a plodding pace. For example, one Boston restaurant typically poured through two bottles a day of a competing brand, while a single bottle of Sundsvall might last three months there. In 1999, Sundsvall sold 1,000 cases of product, compared with sales of more than 100,000 cases each for Belvedere and Grey Goose.

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<sup>5</sup> Shelly Branch. “Vodka on the Rocks: This High-End Brand Was an Absolut Flop.” *Wall Street Journal*, December 21, 2000.

A little more than a year after the launch, Absolut stopped production of Sundsvall and ceased all marketing activities. For a company that achieved incredible success marketing its flagship product over the last two decades, the disappointing Sundsvall brand was considered a major failure.

**BRANDING BRIEF 5-6**  
**PRICING SHOWDOWN IN THE CEREAL MARKET<sup>6</sup>**

The cereal category experienced interesting price competition in the late 1980s and early 1990s. During this time, the cereal industry as a whole aggressively raised prices on items as much as 5 to 6 percent every eight months. In order to disguise the higher prices, cereal makers attempted to offset them with a host of coupons, trade promotions, and other deals (such as two-for-the-price-of-one and buy-one-get-one-free or “bogo” offers) – a strategy dubbed “price-up, deal back.”

On April 4, 1994 (“Cheerios Monday”), General Mills, the number two player in the \$8.7 billion cereal market with a 29 percent share, announced that it would lower prices between 30 cents and 70 cents a box (or 11 percent on average) on its eight most popular ready-to-eat cereals (Cheerios, Honey Nut Cheerios, Multi Grain Cheerios, Wheaties, Whole Grain Total, Golden Grahams, Lucky Charms, and Trix). General Mills also announced that it was cutting coupon and other promotional expenditures by \$175 million.

General Mills was motivated by a number of factors. With prices as much as 25 percent lower, private label cereals had begun to make some significant inroads on sales, increasing their share of the market to 5.2 percent. Because of pervasive sales promotions, more than 60 percent of all cereal purchases were being made with some kind of coupon or discount. As Steve Sanger, president of General Mills, stated:

“The practice of pricing up and discounting back has become more and more and more inefficient for manufacturers and retailers and burdensome for consumers. There’s tremendous cost associated with printing, distributing, handling, and redeeming coupons. Because of this inefficiency, the 50 cents that the consumer saves by clipping a coupon can cost manufacturers as much as 75 cents. It just doesn’t make sense.”

Kellogg, the market leader with a 36 percent share, followed quickly with an announcement that it

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<sup>6</sup> Richard Gibson, "General Mills to Slash Prices of Some Cereals," *Wall Street Journal*, April 5, 1994, p. A-4; John McManus, "Sanity's at Stake in Steve Sanger's Cereal Showdown," *Brandweek*, April 25, 1994, p.16; Betsy Spethman, "Kellogg Counters Big G Price Cuts: 'Bogo' a No Go June 1," *Brandweek*, April 25, 1994, p.3; Julie Liesse and Kate Fitzgerald, "General Mills Price Cuts Fail to Stem Couponing," *Advertising Age*, August 1, 1994, p.26. “Kellogg Raises the Prices of Some Cereals.” *Orange County Register*, December 15, 1998; Betsy Spethmann. “Breakfast in Battle Creek.” *Promo*, May 30, 2000

would stop offering the buy-one-get-one-free offers and attempted to hold firm on price increases by cutting costs. Recognizing a competitive opportunity, marketers of the number three and four cereal suppliers, Post and Quaker Oats, initially decided to continue to offer \$1-plus coupons. Eventually, however, Post enacted a 20 percent across-the-board price cut and began to issue a new, all-purpose coupon that would apply to all sizes of all its cereals. Kellogg soon thereafter reduced prices an average of 19 percent on nearly two-thirds of its line.

The cycle of price cuts perpetuated by the bitter price war was bad for the bottom line. Kellogg, as the leader, suffered significantly as a result of the price wars. Kellogg's profit margin shrunk, sales declined, and its market share plummeted. In 1998, Kellogg raised cereal prices an average of 2.7 percent, its first increase since 1994. This move signaled the end of the cereal price wars, but it did not solve Kellogg's problems. In 1999, General Mills grabbed the domestic market share lead from Kellogg's.

**BRANDING BRIEF 5-7**  
**EXPANDING THE E\*TRADE BRAND<sup>7</sup>**

E\*Trade was founded in 1991 and partnered with America Online and CompuServe in 1992 to offer trading to users of those portals. In 1996, E\*Trade established its own Internet site. That year, E\*Trade spent \$25 million on its first national advertising television campaign, which attempted to convince viewers: “Someday, we’ll all invest this way” and aired on popular network programming. Accompanying the television spots were two-page newspaper ads and Internet banners provocative lead-ins such as “Spank a Yuppie” and “Low Commissions. Leave your kids more to fight over.”

E\*Trade hired Goodby, Silverstein & Partners in 1999 to develop more national advertising. Goodby’s first campaign, titled “It’s time for E\*Trade,” helped the company become one of the top four most recognized Internet brands in 1999 as ranked by Opinion Research Corp. According to agency co-founder Rich Silverstein, “In four months, we built the brand.” CEO Christos Cotsakos maintained that, “brand building was always first and foremost” among the company’s priorities.

The company launched a major ad blitz for the 2000 Super Bowl by buying two spots during the pre-game show, another two spots during the game, and sponsoring the halftime show. E\*Trade “dominated the commercial showcase,” according to *Brandweek*. The memorable “Monkey” ad was named as the fourth-best Super Bowl ad of all time by an online consumer vote. As a result of its Super Bowl ad blitz, E\*Trade enjoyed a 600 percent increase in new accounts in the quarter following the Super Bowl compared with the same period the previous year. E\*Trade maintained a consistent ad push following the Super Bowl, spending \$522 million – or 38 percent of revenues – on marketing.

In 1999, E\*Trade diversified beyond online trading with its \$1.8 billion purchase of online banking firm Telebank, which it renamed E\*Trade Bank. E\*Trade hopes to add other services to its site and

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<sup>7</sup> “Bank on It.” *Brandweek*, December 11, 2000; Louise Lee. “Not Just Clicks Anymore.” *Business Week*, August 28, 2000; Terry Lefton. “Jerry Gramaglia: Trading Up.” Marketers of the Year, *Brandweek*, October 11, 1999; Deborah Lohse. “E\*Trade Campaign Asks Investors To Skip Brokers for On-line Service.” *Wall Street Journal*, September 5, 1997, p. B5

become “a one-stop financial services supermarket.” Additionally, E\*Trade sought to expand beyond the Internet and establish a brick-and-mortar presence that would allow it to compete with traditional brokerage firms. In August 2000, E\*Trade opened the first of its brick-and-mortar locations, called “E\*Trade Zones,” inside a SuperTarget store. The E\*Trade Zones feature customer service representatives and a full complement of services from trading to bank transactions.

E\*Trade also planned a network of 18,000 automated-teller machines in gas stations, drugstores, and supermarkets throughout 48 states, which the company upgraded to provide customers with access to brokerage accounts as well as bank accounts. To add to its list of services, in 2000 E\*Trade partnered with Ernst & Young to offer both on- and offline investment advice to clients.

In 2000, E\*Trade processed 150,000 transactions daily from its customer base of more than 3.6 million. In 2001, E\*Trade was the third largest online broker in terms of number of accounts.

## **Chapter 6**

### **Integrating Marketing Communications to Build Brand Equity**

#### **Overview**

This chapter describes the new media environment and role of marketing communications in building brand equity. Advertising, promotions, direct marketing, event sponsorship, personal selling, publicity and public relations and other forms of marketing communications are the means by which firms stay in touch with consumers and form relationships with them. They can help build customer-based brand equity by affecting brand awareness; by creating, reinforcing or strengthening favorable and unique brand associations; by eliciting positive brand judgements or feelings; and facilitating brand resonance. A communications campaign should contain a mix of options, each selected based on its ability to achieve specific objectives and to integrate with other options to maximize brand equity.

The options included in a mix should, through their complementarity, produce results that are greater than the sum of their individual effects. Whenever possible, options should be linked to one another through the use of common visual or verbal information. Such links, or cues, enhance consumer



motivation, ability, and opportunity to process and retrieve brand-related information. Hence, they facilitate the formation of strong, favorable, and unique associations.

Components of a communication strategy can be judged for their ability to achieve the desired brand knowledge structures and elicit the differential response from consumers that creates brand equity. Six success factors for advertising are identified: consumer targeting, ad creative, consumer understanding, brand positioning, consumer motivation, and ad memorability. A flexible marketing program is one that contributes to brand equity in a number of different ways.

Each type of marketing communication tool is evaluated in the chapter. These include all advertising, in the form of television, radio, print, direct response, on-line, place (billboard, poster, movie, airport, product placement). Also included are promotions – sales promotions, consumer promotions, and trade promotions; event marketing and sponsorship; public relations and publicity; and personal selling.

The chapter discusses the importance of integrated marketing communication for maximizing the contribution to brand equity of a brand's marketing program. An integrated marketing communication program must be judged on six criteria: coverage, contribution, commonality, complementarity, versatility, and cost.

Brand Focus 6.0 discusses how to coordinate media buys in order to maximize brand equity. Strategies for coordination include the implementation of brand signatures and ad retrieval cues, designing complementary media schedules across media, and developing television campaigns over time.

## **Science of Branding**

6-1: Understanding the Effects of Advertising

## **Branding Briefs**

6-1: Have it Your Way in the DVR Market

6-2: iPod Silhouettes Campaign Captures Music Lovers

6-3: More Revenue, Interest Pour into Online Ads

6-4: Product Placement becomes More Creative, More Lucrative

6-5: Samsung DigitAll Matrix Promotional Campaign

## 6-6: Building Sponsorship Resonance with NASCAR

### Additional Branding Briefs:

## 6-7: Driving Higher Sales at Oracle

### Discussion questions

1. *Pick a brand and gather all its marketing communication materials. How effectively have they “mixed and matched” marketing communications? Have they capitalized on the strengths of different media and compensated for their weaknesses at the same time? How explicitly have they integrated their communication program?*

Answers will vary.

2. *What do you see as the role of the Internet for building brands? How would you evaluate a Web site for a major brand, e.g., Nike, Disney, or Starbucks?*

Good corporate Web sites combine information about the brand and its products or services with interesting and often entertaining features. Disney Online includes a corporate website with detailed financial and business information, a site for families planning vacations, a site for kids seeking fun on the Web, and an e-commerce shopping site. Ultimately, each page on a company's website must contribute to brand equity by being useful, involving, and relevant to the targeted consumers.

3. *From a current issue of Newsweek or Time magazine, decide which print ad you feel is the best and which ad you feel is the worst based on the criteria described in the chapter.*

Answers will vary.

4. *Pick up a Sunday newspaper and look at the coupon supplements. How are they building brand equity, if at all? Try to find a good example and a poor example of brand-building promotions.*

For coupons to build brand equity, it is important for them to offer the consumer more than just a price break. Other incentives and promotions such as cash back, prizes, merchandise tie-ins, and free services are more effective means of building brand equity through coupons than simple percentage-off discounts.

5. *Choose a popular event. Who are its sponsors? How are they building brand equity with their sponsorship? Are they integrating the sponsorship with other marketing communications?*

Typically, event sponsors are borrowing equity from the event and its participants and seeking to establish connections between the event and the brand in the minds of consumers. Alternately, a sponsor can help develop the event and build equity for the brand and the event simultaneously. Event sponsors integrate the sponsorship with other marketing

communications by buying commercial airtime during the event broadcast, creating tie-in advertising and promotions, and using the event logo in marketing materials.

### **Exercises and assignments**

1. Have students divide into groups and ask each group to develop a marketing communications strategy for the same brand. Once they have finished, discuss the various plans and the groups' rationales for them. Compare and contrast the plans on their reliance on pull vs. push, mass vs. direct media, advertising vs. consumer promotions, traditional vs. non-traditional options, and broadcast vs. print.
2. Assign students the task of identifying brands that have appeared in movies or television shows. Discuss why the particular movies or shows were chosen and what the likely effect of the placement was on consumers.
3. Compare the communications strategies for two competing brands on the factors delineated in #1 above. What are the reasons for the differences? For the similarities? Which brand's strategy do you think is more effective? Why?
4. Identify brands that have received publicity, favorable or unfavorable, as the result of action taken by the brand's management. Analyze the press coverage, its positive and negative effects, and the company's efforts to capitalize on or downplay the attention. Recent examples include Philip Morris changing its name to Altria, the television advertisement for Nuveen that featured digitally-enhanced images of Christopher Reeves rising from his wheelchair and walking, and ads for Cingular and Alcatel featuring famous speeches by Martin Luther King, Jr.

### **Key take-away points**

1. It is through marketing communications that brands build relationships with consumers.
2. Development of an integrated marketing communications campaign entails "mixing and matching" options based on their ability to produce a whole that is greater than the sum of its parts.
3. Creating a dialogue with consumers requires thinking beyond traditional advertising and promotion strategies.

4. Consistency is the key to creating brand awareness and strong brand associations.

**BRANDING BRIEF 6-7**  
**DRIVING HIGHER SALES AT ORACLE<sup>8</sup>**

Larry Ellison, along with three partners, founded the database management software company System Development Laboratories in 1977. In 1982, the company changed its name to Oracle, after the name of its first product. By 1988, Oracle had a 36 percent share of the U.S. government's PC database market. The company began offering consulting services to its customers in 1989.

Oracle's adjustment to this rapid growth was not seamless, however. The company developed a reputation as a leader in "vaporware," or products that are announced publicly but are still under development and therefore, unavailable. Its software often contained numerous bugs or lacked promised features. The company found itself embroiled in an accounting scandal in 1990, a result of a widespread practice among the sales representatives of recording sales a quarter early in order to boost earnings during slow quarters. Oracle was forced to restate earnings, pay a fine to the SEC, and spend millions of dollars settling shareholder lawsuits. The company's stock plummeted as a result of these developments.

Beginning in 1991, Ellison enacted a plan that rescued Oracle from the brink. He secured \$80 million in financing from Nippon Steel, installed experienced Booz Allen manager Ray Lane as COO and president, reduced headcount by 10 percent, and imposed stricter policies governing its sales force. Ellison took a hands-on approach to establishing sales protocol for his company. He rewrote sales contracts himself and initiated a standard-pricing policy that eliminated haggling. He also altered the compensation scheme so that managers were rewarded for meeting profit-margin targets rather than for reaching sales volume quotas regardless of cost.

These moves, along with the launch of the next-generation Oracle 7 database in 1993, allowed the company to complete a turnaround. By 1994, the company was the number-one database management software maker in the world, with sales exceeding \$2 billion that year. Oracle's revenues tripled between 1995 and 1999, yet the company's sales force doubled during the same period. In 1998, the company split its sales force into two teams. One team concentrated on the company's core products – database

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<sup>8</sup> Steve Hamm. "Oracle: Why It's Cool Again." *Business Week*, May 8, 2000; Michael Moeller. "Oracle: Practicing What It Preaches." *Business Week*, August 16, 1999; Steve Hamm. "Is Oracle Finally Seeing Clearly?" *Business Week*, August 3, 1998; Mitch Wagner, "Oracle's Savings Don't Add Up." *InternetWeek*, March 12, 2001

software – while the other team was charged with selling Oracle’s data-processing applications. More than anything else, however, Oracle’s sales reps were able to handle the heavy workload because the company embraced the Internet. In 1999, 25 percent of the company’s software sales were accomplished online.

As business continued to flood the company, Oracle sought to take more of its business to the Web. It invested in a new e-commerce site called OracleSalesOnline.com – later renamed Sales.Oracle.com – that enables customers to place orders directly online. The site also lets customers purchase upgrades and add users to its license. Oracle also developed another site that sales reps use to demonstrate software during phone calls with customers, who are then directed to order online. Additionally, it required sales reps to enter detailed customer data into a central system that other salespeople or executives can access. In 2001, the company integrated online customer service and support features with the Sales.Oracle.com service, calling this new site Support.Oracle.com. The company also licensed its sales and support applications to more than 10,000 companies around the world.

Oracle’s network of information and its powerful software helped trim costs considerably. The company claimed in an aggressive ad campaign that it saved \$1 billion in 2000 by running its own e-business software. In a specific instance, a manager noticed one day that U.S. sales forecasts dropped \$3.5 million. Using the network, the manager identified which company had changed its purchase, contacted the sales rep working with the account, who renegotiated the deal in less than 24 hours. In another example of cost-cutting, the company moved its sales and training meetings with customers from hotels and conference centers to the Web. These Web-conferences reduced costs from \$325 per person to two dollars a head.

Competitors are quick to criticize Oracle’s aggressive sales tactics. An executive from IBM criticized Oracle’s strategy of over-promising: “They take the P.T. Barnum approach to business: There’s a sucker born every minute.” Oracle’s 85 percent customer-retention rate, which is higher than either Microsoft’s or IBM’s, proves that many customers are satisfied with the company’s products and service.

## **Chapter 7**

### **Leveraging Secondary Brand Knowledge to Build Brand Equity**

## Overview

This chapter addresses the way in which secondary associations can be leveraged to build brand equity. Secondary associations are those related to other entities to which a brand is linked, such as the parent company, country of origin, channels of distribution, spokespeople, events, characters, other brands, and third-party sources. The link may lead consumers to assume or infer that beliefs, attitudes and perceptions they have for the external source also hold for the brand. This ability to “borrow” equity from the people, places, or things associated with the brand creates additional leverage for marketers beyond that generated by brand elements and marketing programs.

Leverage can only occur when consumers are familiar with the external source and associations for the source are relevant to the brand. The leveraged associations are most likely to be considered in brand choice decisions when consumers have low interest or knowledge levels. Three criteria for evaluating the extent of leverage resulting from brand linkage to another entity: awareness of knowledge of entity, meaningfulness of the entity’s knowledge, transferability of the entity’s knowledge.

The chapter notes that attempts to leverage secondary associations require the company to relinquish some control over the branding process. In particular, managing the transfer process so that only the relevant secondary associations become linked to the brand may be difficult. Unwanted secondary associations may also become linked to the brand. For example, if one of two brands in a co-branding agreement becomes a target for negative publicity, the other brand may find its brand equity negatively affected as well.

Brand Focus 7.0 discusses one of the biggest events for corporate sponsorship, the Olympic Games. Companies spend up to \$50 to be lead sponsors for the Games, and then spend as much as \$100 million on related marketing activities; however, not everyone thinks the Games provide good value since the increasing commercialization of the competition makes it harder to break through the clutter.

## **Science of Branding**

7-1: Understanding Retailers' Brand Image Dimensions

7-2: Understanding Brand Alliances

## **Branding Briefs**

7-1: HP Brand Campaign Promotes Change

7-2: Selling Brands the New Zealand Way

7-3: Calvin Klein & Warnaco's Battle of the Brands

7-4: Co-Branding & Licensing at General Mills

7-5: Ingredient Branding the DuPont Way

7-6: Licensing the Disney Way

7-7: Celebrity Endorsers Connect Brand with Fans

7-8: Event Sponsorship at Visa



## Discussion questions

1. *The Boeing Company makes a number of different types of aircraft for the commercial airline industry, e.g., the 727, 747, 757, 767, and 777 jet models. Is there any way for Boeing to adopt an ingredient branding strategy with their jets? How? What would be the pros and cons?*

Boeing could develop an ingredient branding strategy by leveraging its corporate name more for use on the interior and exterior of planes, on literature issued inside the plane, on ticketing information, and in airline advertising. Boeing could also develop an advertising campaign featuring its different jet models. Pros: more business, more recognition, and greater equity. Cons: greater accountability (particularly in the event of a crash) and competitors can adopt similar strategy.

2. *After winning major championships, star players often complain about their lack of endorsement offers. Similarly, after every Olympics, a number of medal-winning athletes lament their lack of commercial recognition. From a branding perspective, how would you respond to the complaints of these athletes?*

Athletes are brands unto themselves, and sponsorship and endorsement opportunities exist because the sponsoring company wishes to borrow some of the athletes' brand equity. Just like commercial brands, athletes vary in the strength, favorability, and uniqueness of consumers' associations to them. In team sports, strong and favorable associations typically exist among the fan base for the entire team, but it is difficult for more than a few individual players to attain unique associations. Many Olympic sports do not engender strong associations, and those athletes that do manage to develop strong and favorable associations often encounter difficulty setting themselves apart from other medal-winners. Developing unique personalities, abilities, and stories would be a recommended course of action for athletes looking to capitalize on their achievements.

3. *Think of the country in which you live. What image might it have with consumers in other countries? Are there certain brands or products that are highly effective in leveraging that image in global markets?*

Answers will vary.

4. *Which retailers have the strongest image and equity in your mind? Think about the brands they sell. Do they help to contribute to the equity of the retailer? Conversely, how does that retailer's image help the image of the brands it sells.*

Answers will vary.

5. *Pick a brand. Evaluate how it leverages secondary associations. Can you think of any ways in which the brand could more effectively leverage secondary brand knowledge?*

Answers will vary.

### **Exercises and assignments**

1. Ask students to poll consumers regarding their associations for different countries. What products or services fit with and could benefit from being linked to the countries? Are the associations consistent with the way in which products and services from those countries are being marketed? (Can be related to Branding Brief 7-2: Selling Brands the New Zealand Way)
2. Tell students to suggest celebrity endorsers for brands currently without one, and to explain their recommendations. For example, does Dennis Rodman's fiery personality make him a good spokesperson for Tabasco? Does Sean "P. Diddy" Combs' ever-present cell phone make him a perfect candidate to endorse Nokia phones? Would Rosie O'Donnell be a made-in-heaven match with Nickelodeon because of her love for and knowledge of classic TV shows?
3. Assign students the task of finding co-branding opportunities in various product categories. For example:

Facial tissue: Puffs and Vaseline Intensive Care lotion?

Spaghetti sauce: Ragu and Gallo wine?

Hotel: Red Roof Inn and Serta mattresses

(Can be related to Branding Brief 7-4: Co-Branding & Licensing at General Mills)

4. Have students identify a brand with an active licensing strategy and evaluate the fit of the licensed products with the brand's image. What changes should be made in the brand's licensing policy? Examples of brands with products in numerous categories outside the original include Jell-O, Looney Tunes, Ralph Lauren and Star Wars. (Can be related to Branding Brief 7-6: Licensing the Disney Way)

### **Key take-away points**

1. Brands can "borrow" equity from their association with people, places, programs, and other non-product-based sources.
2. Secondary associations are strongest when consumers have awareness and strong, favorable, and

unique perceptions of the external source.

3. Secondary associations are most likely to affect evaluations when consumers lack the ability or motivation to judge product attributes.
4. Leveraging secondary associations can be problematic because it requires marketers to give up some degree of control over the branding process.

## **Chapter 8**

### **Developing a Brand Equity Measurement & Management System**

#### **Overview**

If managers are to develop programs designed to build, maintain, or leverage a brand's equity, they must first understand consumer knowledge structures for the brand. Marketers need new tools and procedures that justify the value of their expenditures beyond "Return on Marketing Investment" (ROMI) measures tied to short-term changes in sales. This chapter describes various ways to measure those knowledge structures, which represent sources of brand equity. The concept of a brand equity measurement system is introduced. Two components make up a brand equity measurement system: brand tracking studies and brand equity management. Tracking studies measure consumer attitudes toward the brand on a consistent basis over time and provide a contemporary picture of the state of the brand. Five key measures can be used to capture the consumer mindset: brand awareness, brand associations, brand attitudes, brand attachment, and brand activity or experience.

Brand equity management systems consist of three components: a Brand Equity Charter, a Brand Equity Report, and the creation of senior-level executive positions charged with overseeing the implementation of the Brand Equity Charter and Brand Equity Report. The Brand Equity Charter should accomplish the following: define the firm's view of the brand equity concept and why it is important; describe the scope of key brands; specify the actual and desired brand equity for all brands in the brand hierarchy; explain how brand equity is measured by tracking studies and the Brand Equity Report; provide strategic guidelines for brand equity management; provide specific tactical guidelines for marketing programs; specify proper treatment of brands in terms of trademark usage, packaging, and communications.

The Brand Equity Report should provide description as to what is happening with a brand as well as to why it is happening. It should also include all relevant internal and external measures of brand performance as well as sources and outcomes of brand equity. To provide adequate management, it is important for companies to establish a position of Vice President or Director of Strategic Brand Management to oversee the implementation of the Charter and Report and provide central coordination for all branding activities.

The chapter introduces the brand value chain as a means by which marketers can relate marketing investment to financial performance. By using a series of three multipliers – the marketing program multiplier, the customer multiplier, and the market multiplier – companies can develop a sense of how their investment in their brands is paying off in the marketplace. The chapter conducts a brief brand value chain analysis for three brands: Starbucks, Miller, and Reebok.

Brand Focus 8.0 discusses branding issues and perspectives at Ogilvy & Mather (O&M), one of the world's largest advertising agencies. O&M brand management is described through a three-step process called 360 Degree Brand Stewardship. The steps are: 1) Discovery, 2) Strategy & Planning, and 3) Execution.

## **Science of Branding**

8-1: Maximizing Internal Branding

### **Branding Briefs**

8-1: Consumer Insight Creates New Look at CVS

8-2: Sample Brand Tracking Survey

8-3: Understanding & Managing the Mayo Clinic Brand

8-4: How Good is Your Marketing? Rating a Firm's Marketing Assessment System

8-5: Category Management at P&G

8-6: General Motors's Branding Challenges

### **Additional Branding Briefs:**

8-7: Corporate Masterbrand GE

8-8: On-Line Tracking at Knowledge Networks

## **Branding Focus**

### 8-1: Managing Brands at Ogilvy & Mather

## **Discussion questions**

1. *Pick a brand. Try to do an informal brand value chain analysis. Can you trace how the brand value is created and transferred? What is the role of the multipliers?*

Answers will vary.

2. *Choose Starbucks, Reebok, or Miller. Update and supplement the brand value chain analysis presented in this chapter. What does the analysis suggest about those brand's fortunes in recent years?*

Answers will vary depending on current brand performance.

3. *A few years back, Disney entered into a long-term agreement with McDonald's that included, among other things, joint promotions. From Disney's perspective and what you know about the two brands, was this the right decision? Is there any downside? Would you want to conduct any research to inform the decision? What kind?*

Both McDonald's and Disney focus on serving families and making experiences with the brand fun. This aspect of either brand's positioning is not likely to change significantly in the coming years, and thus a long-term partnership could be beneficial to Disney. Disney could leverage McDonald's market penetration and preference among children to build awareness for its films, television shows, theme parks, and other properties. One possible downside stems from the fact that while Disney has established a more premium positioning in the entertainment and travel industries than McDonald's has in the fast-food category. This positioning disparity could have potentially negative consequences for Disney's brand equity. A study designed to capture consumer attitudes about both brands during proposed joint-promotions would be useful to determine if the partnership would be beneficial to Disney.

4. *Consider the McDonald's tracking survey presented in Branding Brief 8-1. What might you do differently? What questions would you change or drop? What questions might you add? How might this tracking survey differ from those used for other products?*

Answers will vary.

5. *Can you develop a tracking survey for the Mayo Clinic? How might it differ from the McDonald's tracking survey?*

A tracking study for the Mayo Clinic would probably need to be designed for two different groups of consumers, those who had received care at the Mayo Clinic and those who had not. Those who had received care at the Mayo Clinic would be much more informed about the type and quality of care available, and would be able to give more detailed responses to more specific questions. The sample set that had not received care from the Mayo Clinic would be equally valuable, because it would provide insight into public perception of the brand. The questions on the Mayo Clinic tracking survey would differ dramatically from the McDonald's survey, but would still cover the six elements of the customer-based brand equity pyramid.

### Exercises and assignments

1. Have students choose a well-known brand and develop a Brand Equity Charter. Students may then identify current branding issues facing the chosen company and use the Brand Equity Charter to develop responses to these issues.
2. Have several different groups of students create a Brand Equity Report for the same brand. Have them evaluate the differences and similarities in the reports' designs and their findings.

### **Key take-away points**

1. Understanding what consumers believe, think, know and infer about a brand is critical to building and managing brand equity.
2. Measuring brand equity requires uncovering the associations consumers have for a brand, determining the strength, favorability and uniqueness of those associations, and assessing the impact of brand knowledge on consumer response to marketing programs.
3. The purpose of a brand equity measurement system is to provide timely, accurate and actionable information that marketers can use in their tactical and strategic decision-making.
4. The brand value chain can be used to tie marketing investment to market and financial performance.
5. Brand equity management systems involve the creation of a Brand Equity Charter and Brand Equity Report, plus the development of senior management to oversee the implementation of these tools.

***BRANDING BRIEF 8-7***  
***CORPORATE MASTERBRAND GE***

GE was established in 1892 when Edison General Electric merged with Thomson-Houston. The company produced light bulbs, elevators, motors, and appliances. Early success for the company came as a result of J.P. Morgan's financial backing and a focus on research and development. The company evolved over the next century into one of the world's biggest companies, with a diverse portfolio of products and businesses. It is among the largest U.S. companies in terms of revenues. GE offers an incredible variety of products, from consumer electronics and industrial power to financial services and television broadcasting. Other operating segments include plastics, aircraft engines, and technical products and services for medicine and science. Under the leadership of Jack Welch, who became GE's CEO in 1981, the company enjoyed two decades of unprecedented growth and prosperity.

Welch is widely praised as a visionary business leader today due to his performance at GE. Once he took charge of the company, Welch dramatically restructured the industrial giant by decentralizing the company's operations. Welch also sought to expand GE's business with highly profitable ventures, and worked to shed the company of low performing businesses, such as air-conditioning and housewares. This massive restructuring came at a significant cost to GE's workforce: between 1981 and 1985, the company cut 100,000 jobs.

Once the restructuring was completed, Welch pursued an aggressive acquisition strategy. Some of the major acquisitions included GE's purchases of NBC Television in 1986, and Kidder, Peabody investment bank in 1990 (which it later sold to Paine Webber). In the 1990s, Welch greatly expanded the historically small GE Capital Services with bank and insurance company acquisitions. GE Capital now operates a diverse range of 27 business, including real estate, insurance, finance, heavy equipment leasing, and provides over 40 percent of the company's revenues. The pace of acquisitions increased between 1997 and 2000, during which time GE averaged more than 100 acquisitions per year. In 1999, GE acquired 134 companies worth \$17 billion. In 2000, Welch oversaw the company's biggest acquisition during his tenure, the \$45 billion purchase of manufacturing titan Honeywell International.

Today, GE has 49 strategic business units operating under the larger master brand. Despite its size, the company is able to react to the fast pace of the New Economy. In 2000, the company reorganized GE Information Systems into an e-commerce unit called GE Global Exchange Services and a support unit named GE Systems Services. These two units manage the world's largest electronic trading community, comprised of more than 100,000 trading partners. Additionally, at Welch's urging, GE employees saved billions of dollars for the company by finding ways to involve the Web in their jobs. The company also developed an online network to monitor its manufacturing practices, put its human resources reviews online, and established a 24/7 service center for its plants. Welch sees GE as well-positioned to take advantage of the Internet, because he thinks content is the easy part of e-commerce while "infrastructure is the hard part, and we have the infrastructure to capitalize on."<sup>9</sup>

In the 20 years while Jack Welch was at GE's helm, the company has prospered tremendously. GE stock rose 3,098 percent between April 1981 and February 2001, compared with 896 percent growth for the S&P 500 during that same period. Once he named his successor – Jeffrey Immelt, head of GE's medical imaging business – in November, 2000, analysts wondered what effect the change would have on the company. Immelt, like Welch, has professed a dedication to the Internet. He describes it as "a transformational technology that is right in our sweet spot."<sup>10</sup> What remains to be seen, though, is whether Immelt will conduct GE through a period of prosperity the way Welch has.

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<sup>9</sup> McGinn, Daniel. "Jack Welch Goes Surfing." *Newsweek*. December 25, 2000

<sup>10</sup> Useem, Jerry. "Meet 'Da Man.'" *Fortune*. January 8, 2001



**BRANDING BRIEF 8-8**  
**ON-LINE TRACKING AT KNOWLEDGE NETWORKS<sup>11</sup>**

Marketing research firm Knowledge Networks was founded by two Stanford University professors in 1998. The company is one of the leaders in the emerging field of Internet research. It boasts an online panel of more than 100,000 consumers connected via WebTV interactive television boxes. In order to approximate a cross-section of the U.S. population, Knowledge Networks uses “random digit dialing” phone surveys – which give each household in the U.S. an equal probability of selection – to fill its panel. The WebTV survey system has the advantage of allowing panelists to respond at their convenience, as opposed to phone surveys. Interactive televisions operate with a remote control in exactly the same fashion as normal TVs, so Internet literacy is not required for participation in Knowledge Networks research. The network of panelists enables the company to pursue its mission: “To help companies transform their markets by providing valid, timely, and cost-efficient information about consumers.”

Knowledge Networks monitors its panelists’ in-home media intake and their purchase behaviors, which allows the company to track spending as it relates to marketing messages. The WebTV sets also enable Knowledge Networks to test advertising for companies in a realistic setting, by simulating commercial television viewing. In addition to product and advertising testing, Knowledge Networks conducts Web surveying. The company conducted numerous polls during the 2000 election season for CBS News and the *Washington Post*, and even did a lighthearted poll after the TV show *Survivor* finale.

Additionally, Knowledge Networks keeps consumer profiles with over 1,000 data points updated weekly for all its panelists, which companies can access to learn about potential customers. The company seeks to become a one-stop marketing research company, performing television- and Internet-usage tracking studies, brand management diagnostics and tracking, product and advertising evaluations, and traditional survey applications. Knowledge Networks claims this comprehensive

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<sup>11</sup> [www.knowledgenetworks.com](http://www.knowledgenetworks.com); Peter Sinton. “Polling Using the Internet Seeks to Improve Accuracy.” *San Francisco Chronicle*, October 28, 2000; Rebecca Buckman. “Pollster Aims at One-Stop Marketing Shop.” *Wall Street Journal*, September 7, 2000.

research coverage yields a “360-degree view of the consumer” by:

- Capturing and recording marketing inputs, such as advertising, and environmental factors that affect consumers
- Observing and analyzing how consumers process these stimuli and how, in turn, this shapes their thoughts, attitudes, and feelings
- Tracking what action consumers take in response to their experience of these stimuli

## **Chapter 9**

### **Measuring Sources of Brand Equity: Capturing Consumer Mindset**

#### Overview

To measure sources of brand equity, brand managers must understand two key areas: how consumers shop for and use products and services, and what consumers know, think, and feel about various brands. One of the potential complications of pursuing this knowledge is that many times consumers are unable or unwilling to access and report to researchers their true beliefs and feelings about a brand. Qualitative methods allow marketers to probe consumers either through direct questions or through tasks that indirectly reveal perceptions and attitudes. Such methods, which permit a relatively unlimited range of verbal consumer responses, include free association tasks, projective techniques, and descriptions of a brand’s personality and values, among others. Data gathered through qualitative research generally must be coded and aggregated before it is useful.

Quantitative methods, which typically use numerical rating scales or rankings, include measures of recognition, aided and unaided recall, beliefs, attitudes, intentions and behaviors toward the brand. Image measures, brand response measures such as purchase intentions, brand relationship measures such as behavioral loyalty and brand sustainability can also be employed to measure consumer attitudes. Data gathered through quantitative research can be entered directly into files and analyzed using a variety of statistical techniques.

Ultimately, the two types of research techniques enable marketers to construct “mental maps” that model consumers’ feelings, beliefs, and attitudes regarding a brand. Marketers can then employ the

mental maps to make decisions about their brands and develop strategies for building brand equity.

Qualitative measures are best used to provide in-depth insight into what specific brands, products, and services mean to consumers. Quantitative measures, on the other hand, are particularly useful to obtain general information about consumers.

Finally, this chapter concludes by presenting other customer-based brand equity models designed by researchers and consultants, such as Brand Dynamics and Equity Engine.

Brand Focus 9.0 discusses Young & Rubicam's Brand Asset Valuator (BAV). The BAV is the world's largest database of consumer-derived information on brands. The BAV evaluates brands on four key measures, called the "Four Pillars": differentiation, relevance, esteem, and knowledge. Also employed are a number of measures across a broad array of perceptual dimensions. The BAV provides a brand landscape by which marketers can see where their brands are located relative to other prominent brands or with respect to different markets.

### **Science of Branding**

9-1: Understanding Consumer Memory

9-2: Understanding Categorical Brand Recall

9-3: Understanding Brand Attitudes

### **Branding Briefs**

9-1: Digging Beneath the Surface to Understand Consumer Behavior

9-2: Focus Group Guidelines

9-3: Once Upon a Time . . . You Were What You Cooked

9-4: Finding the Good Life at Joie-de-Vivre

9-5: Making the Most of Consumer Insight

9-6: Online Market Research on the Rise

#### **Additional Branding Briefs:**

9-7: Chasing the Spirit of Imported Vodka

9-8: Branding Alliances

### **Discussion questions**

1. *Pick a brand. Employ projective techniques to attempt to identify sources of its brand equity. Which measures work best? Why?*

Answers will vary.

2. *Run an experiment to see if you can replicate the Mason Haire instant coffee experiment. Do the same attributions still hold? If not, can you replace coffee with one brand combination from another product category that would produce pronounced differences?*

One possible category that might produce the differences of the Mason Haire experiment is over-the-counter children's cold remedies. There may be major perceptual differences regarding parents that buy name-brand remedies, versus parents that buy store brand or generic products.

3. Pick a product category. Can you profile the brand personalities of the leading brands in the category using Aaker's brand personality inventory?
  - 1) Sincerity (Down-to-earth, honest, wholesome, and cheerful),
  - 2) Excitement (Daring, spirited, imaginative, and up-to-date),
  - 3) Competence (Reliable, intelligent, and successful),
  - 4) Sophistication (Upper class and charming), and
  - 5) Ruggedness (Outdoorsy and tough).

Answers will vary. The truck category is one in which many of the brands might possess high ratings in many of the above indices and have distinct personalities.

4. Pick a brand. How would you best profile consumers' brand knowledge structures? How would you use quantitative measures?

Answers will vary.

5. Think of your brand relationships. Can you find examples of brands that fit into Fournier's different categories?

Answers will vary.

### **Exercises and assignments**

1. Ask students to conduct a modern-day version of the shopping cart experiment described in Branding Brief 9-3: Once Upon a Time . . . You Were What You Cooked. Update the list and choose a focal product to vary across two versions. For example:

1 whole roasting chicken

1 whole roasting chicken

1 package Thomas English muffins

1 package Thomas English muffins

4 ears fresh corn

4 ears fresh corn

Jar of Grey Poupon mustard

Jar of Kraft mustard

Breyer's vanilla bean ice cream

Breyer's vanilla bean ice cream

2 onions

2 onions

How could the managers of the focal brands use the results in their marketing planning?

2. Tell students to conduct a focus group, using other students as participants, to gain insights about attitudes, feelings and behaviors toward the school or program in which they all are currently enrolled. What implications do the findings have for marketing strategy? (Can be related to Branding Brief 9-6: Focus Group Guidelines)
3. Have students conduct research on a pair of brands using the eight steps included in Branding Brief 9-7 below: Chasing the Spirit of Imported Vodka. Summarize the overall findings, discuss the implications for strategy of the results, and identify the techniques that worked best at revealing differences between the brands.

### **Key take-away points**

1. In general, measuring sources of brand equity requires knowing how consumers shop for and use products and services, and what consumers know, think, and feel about brands.
2. Since the sources of equity reside in the consumers' associations, attitudes, etc. toward the brand, measuring equity requires consumer-focused research.
3. Consumer knowledge towards a brand may be uncovered using either quantitative or qualitative methods, often in combination.
4. Qualitative measures are best for capturing specific consumer insights about brands, products, and services, while quantitative insights can be employed for more generalizable information.

**BRANDING BRIEF 9-7**  
**CHASING THE SPIRIT OF IMPORTED VODKA**

Young & Rubicam ad agency conducted an in-depth eight step examination of the two leading imported vodkas, Absolut and Stolichnaya ("Stoli"). The research involved the following eight steps:

- 1) A list of approximately 40 traits were written on pieces of cardboard. Consumers were asked to put each trait in one of four piles according to which brand they associated with the given trait: Stoli, Absolut, neither, or both.
- 2) Consumers were given a stack of pictures of people culled from various magazines. Consumers then placed them into one of three piles depending on how well they associated the person with the brand — Stoli, Absolut, or neither.
- 3) Consumers completed a bubble exercise where they were given pictures of people with bubbles indicating their words and asked, "Imagine one of the people from the Absolut pile ran into the person in the Stoli pile. Write down in the bubbles what they would say to each other."
- 4) Consumers were asked the best and worst thing about each brand.
- 5) Consumers described the bottles of each brand in an open-ended fashion and then were asked several specific follow-up questions: "If you had to make a judgment about the bottle — without knowing anything about its contents, what would you think?" and "What do you think about the label?"
- 6) Consumers were asked, "Imagine the Absolut and Stoli bottles were talking to each other, what would they say?"
- 7) Consumers were asked what they associated with the countries of origin for the brands — Sweden and Russia.
- 8) Consumers were asked, "If the bottles became a person, how would you see them -- what kind of cars would they drive, clothes would they wear, how old would they be, what gender, etc."

The study findings indicated that the Absolut brand personality was seen as "cool" and "stylish." To a large extent these associations came from the user imagery of Absolut drinkers as young, hip people but lots of imagery came from the stylish, contemporary look of the bottle and advertising itself. Stoli, on the other hand, was seen as "older" and more "traditional."

## ***BRANDING BRIEF 9-8***

### ***BRANDING APPLIANCES***

To illustrate how branding principles may apply to durable goods, consider research by Whirlpool who conducted a study of appliances to identify the personalities of Whirlpool's corporate brands and those of competitors.<sup>12</sup> A series of research approaches were employed in the study. First, consumers in focus groups cut out pictures to show what the brand would look like as a person, explaining to a facilitator their beliefs and feelings about each brand. Next, another group of consumers completed four different tasks: 1) A 70-item adjective check list to describe each brand; 2) classification of brands as masculine or feminine; 3) comparison of brands to types of work, music, hobbies and reading material; and 4) comparison of brands to eras ('30s to the '90s).

The findings indicated that significantly distinct branding personalities prevailed even in the appliance category. For example, although Whirlpool and its high-end KitchenAid brand were both seen as "feminine" brands, very different profiles emerged.

Whirlpool was described as gentle, sensitive, quiet, good-natured, flexible, modern, cheerful, and creative. Personified, the brand was seen as a modern, family oriented woman who lived the best of suburban life. She would be a good friend and neighbor, action-oriented and successful, attractive and fashionable, but not flashy. Whirlpool was associated with jazz and rock music, sailing and the 70's.

KitchenAid was described as sophisticated, glamorous, wealthy, elegant, fashionable, and innovative. Personified, the brand was seen as a modern professional woman who was competent, aggressive, and smart and who worked hard to get the better things in life. KitchenAid was associated with classical music and theater, sailing, jazz, and science and the 80's and 90's.

In terms of implications, the personality traits give product designers and marketers some direction and focus. Consequently, the brand can be established more forcefully in all communications and be more effectively differentiated in product design. For Whirlpool, the feminine perception suggested possible colors and styles of appliances and resulted in the use of female announcers for the commercial voice-overs!

## **Chapter 10**

### **Measuring Outcomes of Brand Equity: Capturing Market Performance**

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<sup>12</sup> Tim Triplett, "Brand Personality Must Be Managed or It Will Assume a Life of Its Own," AMA Marketing News. Bill Vlasic, "Did Whirlpool Spin Too Far Too Fast," Business Week, June 24, 1996, pp. 134-136. Carl Quintanilla, "Whirlpool, Hurt in Europe, Sees Steep Decline in Operating Profit," Wall Street Journal.

## **Overview**

Chapter 2 of the book details seven benefits or outcomes that can result when a firm builds positive customer-based equity for a brand: greater perceived differentiation, stronger brand loyalty, larger margins, higher trade support, increased marketing communication effectiveness, and more opportunities to extend and license the brand name. Chapter 10 describes procedures that allow a firm to assess whether its marketing programs have, indeed, generated such outcomes.

Comparative methods help assess the specific benefits of brand equity. Marketing-based comparative approaches hold the brand fixed and examine consumer responses to changes in the marketing program. Brand-based comparative approaches hold fixed a particular marketing activity being considered and examine how consumer responses to the activity change as the brand identification is varied between a focal and a comparison brand. This usually is done through the use of an experiment in which one group of consumers responds to questions about a product or an aspect of its marketing program attributed to the focal brand, and another group of consumers responds to questions about the same product or aspect of its marketing program attributed to the comparison brand, typically either fictitious, unnamed, or competitive. A comparison of the responses provides insight into the equity of the focal brand.

Conjoint analysis varies the attributes or levels of attributes included in product profiles presented to consumers. Consumer ratings of the profiles can be analyzed to determine the importance attached to each attribute and the tradeoffs consumers are willing to make between them.

In contrast to techniques just described, holistic methods are used to derive an overall brand value, either in terms of utility or money. The residual approach considers brand equity to be what remains when preferences for objective characteristics of the product are subtracted from overall brand preference. Data used to determine residual value can be gathered through scanners, experiments, or surveys.

Valuation approaches measure brand equity in dollars by determining a) the amount of money that would be required to reproduce or replace the brand (cost approach), b) the incremental cash flows that would arise from the sale of the brand versus those that would arise from the sale of an unbranded



product (market approach), or c) the net present value of the discounted future cash flows to be derived from the brand (income approach).

Brand Focus 10.0 “Branding & Finance” discusses the relationship between brand equity valuations and stock market information and performance. It also analyzes the accounting implications of branding.

### **Science of Branding**

10-1: Understanding How Brands Affect Consumer Behavior

10-2: What is a Brand Worth?

### **Branding Briefs**

10-1: Beauty Is in the Eye of the Beholder

#### **Additional Branding Briefs:**

10-2: Building a Better Mousetrap

### **Discussion questions**

1. *Choose a product. Conduct a branded and unbranded experiment. What do you learn about the equity of the brands in that product class?*

Answers will vary.

2. *Can you identify any other advantages or disadvantages with the comparative methods?*

Certainly another concern with comparative methods is how well specified the models are – when do missing variables really tell the whole story? Another advantage, however, is the ability to provide quantified estimates.

3. *Pick a brand and conduct an analysis similar to that done for the Planter’s brand. What do you learn about its extendibility as a result?*

Answers will vary.

4. *What do you think of the Interbrand methodology? What do you see as its main advantages and disadvantages?*

The Interbrand approach arrives at a single figure that represents the strength of the brand. As Peter Fader points out, valuation approaches are subject to a number of pitfalls. These include a high degree of subjectivity, the imprecise science of measuring intangible assets, and the difficulty of separating the brand from the company.

5. *What do you think of Young and Rubicam’s Brand Asset Valuator? What do you see as its main advantages and disadvantages?*

Answers will vary.

### **Exercises and assignments**

1. Have students identify brands that have the highest equity levels in their categories (based on market share and other factors described in the text). Discuss the likely reasons for the preeminence of the brands, and what the implications for marketing strategy are. Examples of product categories might include motels, computers, sunglasses, automobiles, ski equipment, and airlines.
2. Ask students to identify brands that are market leaders in their categories, but that are weak on other dimensions described in Branding Brief 10-3: Interbrand Applications. Analyze the reasons for the weaknesses and describe strategies for overcoming them.

### **Key take-away points**

1. The effect of brand equity on consumer response to marketing activity can be measured using experimental or statistical techniques.
2. The actual financial value of a brand can only be estimated, and researchers have developed several different techniques for doing so.
3. Multiple measures and methods should be used to assess the multiple outcomes of brand equity.

**BRANDING BRIEF 10-2**  
**BUILDING A BETTER MOUSETRAP<sup>3</sup>**

One powerful application of conjoint analysis is the recent design and introduction of the new hotel chain, Courtyard by Marriott (see Figure 10-9).<sup>14</sup> The Marriott company was founded as a root beer stand in 1927 by J. Willard Marriott, Sr. Marriott built its first hotel in 1957. Growing quickly in the following decades, by the early 1980's, Marriott had become the single largest operator of hotel rooms in the United States. Because the market was expanding, Marriott concentrated on operations and, like most competitors, did little consumer research or extensive marketing programs. Marriott was centrally driven and run, literally, by the book -- a dozen or so encyclopedic tomes that detailed everything from how to clean the rooms to how to prepare the food in the restaurants.

In the early 1980s, however, Marriott became concerned that it was running out of good sites to place the standard design Marriott Hotel — a 300- to 400-room, full service facility located near an airport or large suburban population center — at a high enough rate of growth. In search of new markets, Marriott felt it needed to shift from a purely operations-driven company to a marketing-oriented company. As part of this shift, Marriott bolstered their marketing staff, devised new promotional and compensation plans to keep their best people selling, started a frequent-guest bonus program, automated hotel operations to allow more efficient tracking of guests, and tried to find ways to "jazz up" Marriott's staid image.

Marriott also made a decision to develop a new hotel chain for the segment of travelers who were not satisfied with current offerings. Two a priori segments were identified: business travelers (who travel at least six times a year and stay in mid-level hotels or motels) and pleasure travelers (who travel at least twice a year and stay in hotels or motels). Marriott management faced a difficult decision: What type of hotel facilities and services should Marriott design and offer to attract these travelers away from competitive facilities? To answer this question, Marriott conducted an extensive 3 year research project. The centerpiece of the project was a complex conjoint study. In this study, seven sets of attributes were examined: 1) external factors, 2) rooms, 3) food-related services, 4) lounge facilities, 5) services, 6) leisure-time facilities, and 7) security factors.

The research indicated that room quality and outdoor surroundings mattered most to a would-be guest so Marriott tried to keep Courtyard's rooms as close as possible in quality to its full-service rooms, while throwing in a landscaped courtyard with serpentine walkways and a swimming pool. To reduce costs, a Courtyard hotel has a tiny lobby and lounge, just one restaurant, a couple of small meeting rooms, and no doorman, bellman, or room service. The Courtyard by Marriott chain has been a huge success, and the chain has grown to 500 hotels by 2001.

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<sup>13</sup> Steve Schwartz, "How Marriott Changes Hotel Design to Tap Midpriced Market" *Wall Street Journal*, September 18, 1985, pp. 1, 22.

<sup>14</sup> Jerry Wind, Paul E. Green, Douglas Shifflet, and Marsha Scarbrough, "Courtyard by Marriott: Designing a Hotel Facility with Consumer-Based Marketing Models," *Interfaces*, 19:1 (January-February 1989), pp. 25-47

## Chapter 11

### Designing and Implementing Branding Strategies

#### Overview

Firms have a variety of options available to them with respect to branding strategy, which refers to the nature and number of common and distinctive branding elements that can be applied to the products and services sold. Branding strategy is important as a means of enabling consumers to understand and connect with the brand, since it can help consumers organize a company's products and services in their minds. This chapter introduces the concepts of the brand architecture and the brand hierarchy, two tools that can help a company make decisions regarding branding strategy.

The Brand architecture defines both brand boundaries and brand complexity. The brand-product matrix is a graphical representation of all the products sold by a firm. Each row of the matrix is labeled with a brand name, while each column represents a product. Thus, the rows of the matrix correspond to brand lines (all the products sold under a particular brand name) while the columns correspond to product lines, a.k.a. brand portfolios, (all the brands marketed in particular product categories). A firm's branding strategy can be characterized according to its breadth, which refers to the number and nature of products that bear the same brand name, and its depth, which refers to the number and nature of brands in the same product category. Marketers can use the brand-product matrix to determine whether and where to make connections across products and brands.

A brand hierarchy visually illustrates the possible relationships that can be formed among the firm's products through the selection of common and distinctive brand elements. The levels of the hierarchy might include the corporate or company brand at the top, followed by a family brand used in more than one product category, an individual brand that typically is restricted to one product category, and a modifier that designates a specific item or model. Because a company's marketing activity may result in different types of associations becoming linked to the brand names at various levels of the hierarchy, each name has the potential to impact the equity of brands at levels above and below it.

The choice of branding strategy depends upon a number of different factors, including corporate objectives and capabilities, consumer behavior, and competitive approaches. Consequently, strategies differ significantly between firms and even across products within firms. In addition to designating the optimal hierarchy, a company must also design marketing support programs that create the desired awareness and associations at each level. In general, associations for a higher-level brand should be relevant to as many brands below it as possible, while brands at the same level should be as differentiated as possible.

The chapter concludes by a discussion on the use of cause marketing to build brand equity. This section covers the advantages of cause marketing, cause marketing programs' design, and green marketing.

Brand Focus 11.0 covers what to do in the event of a marketing crisis by presenting the case of Johnson & Johnson's handling of the 1982 Tylenol cyanide poisoning crisis. Through rapid and measured response to the crisis, Tylenol was able to almost completely rebuild market share within six months of the scare.

### **Science of Branding**

11-1: Achieving the Ideal Brand Portfolio

11-2: Corporate Brand Personality

### **Branding Briefs**

11-1: Bridging the Gap Brand

11-2: Stretching the VF Brand

11-3: Ford's Brand Portfolio

11-4: Corporate Reputations: America's Most Admired Companies

11-5: Corporate Innovation at 3M

11-6: Corporate Values Take Center Stage at Clif Bar

11-7: Re-Naming the Acura Brand Portfolio

11-8: Image Management the Body Shop Way

11-9: Marketing Goes Green

### Additional Branding Briefs:

#### 11-10: Cleaning-up The Philip Morris Image

### Discussion questions

1. *Pick a company. As completely as possible, characterize its brand portfolio and brand hierarchy. How would you improve the company's branding strategies?*

Answers will vary.

2. *Do you think the Nestle corporate image campaign described in the chapter was successful? Why or why not? What do you see as key success factors for a corporate image campaign?*

Nestle's revenues, profits, and stock price have risen steadily since the advent of its corporate image campaign. The question for students will be to determine to what extent this success is due to the campaign versus other business-related factors.

3. *Contrast the branding strategies and brand portfolios of market leaders in two different industries. For example, contrast the approach by Anheuser Busch and its Budweiser brand with that of Kellogg in the ready-to eat cereal category.*

Anheuser-Busch employs its umbrella brand in corporate image advertisements, but its individual beverage brands retain their own identity distinct from the umbrella brand; however, Anheuser-Busch does reinforce the link between many of its individual brands and the umbrella in advertising and packaging. Kellogg's pursues an endorsement strategy with its brands, keeping a more obvious link between its cereals and the parent brand.

4. *What are some of the product strategies and communication strategies that General Motors could use to further enhance the level of perceived differentiation between its divisions?*

As far as product strategies go, GM could minimize overlap between its divisions by eliminating models with similar positioning within different divisions. Also, GM could alter up its product line to keep the divisional positioning distinct from one another. For example, many have criticized the Cadillac Escalade in spite of its success because Cadillac has traditionally stood for luxury cars, not trucks. From a communications standpoint, GM might avoid running umbrella advertising campaigns that emphasize the GM name, using divisional and individual product ads exclusively.

5. *Consider the companies listed in Branding Brief 11-4 as having strong corporate reputations. By examining their web sites, can you determine why they have such strong corporate reputations.*

Answers will vary.

### Exercises and assignments

1. Have students select a brand with a multiple-level brand hierarchy and analyze the supporting marketing communications program to determine how the upper- and lower-level names are linked

and differentiated.

For example, what benefits do Kellogg's Eggo Country Sunshine Waffles receive from each level of the brand hierarchy? How are these benefits communicated in advertising and promotion? How do the waffles product relate to other products that share brand names in the hierarchy?

2. Assign students the task of identifying pairs of competing brands with different branding strategies (for example, Kraft salad dressing and Wishbone, Arm & Hammer deodorant and Dry Idea, Hershey's chocolate bar and Baby Ruth). What conclusions, if any, can be drawn from comparing and contrasting the types of associations consumers have for each brand in the pair?

### **Key take-away points**

1. Branding strategy is important as a means of enabling consumers to understand and connect with the brand, since it can help consumers organize a company's products and services in their minds.
2. Designing a brand strategy involves decisions regarding the number of levels to use, how brand elements at different levels will be combined for a given product, and how brand elements will be linked to multiple products.
3. Each successive level in a brand hierarchy allows the firm to communicate additional, specific information about products.
4. In general, associations for a higher-level brand should be relevant to as many brands below it as possible, while brands at the same level should be as differentiated as possible.

**BRANDING BRIEF 11-10**  
**CLEANING UP THE PHILIP MORRIS IMAGE <sup>15</sup>**

Philip Morris, a company best known for its tobacco brands such as Marlboro and Virginia Slims, drew a significant amount of negative publicity during the state lawsuits against tobacco companies in the 1990s. In response to the publicity crisis, the company initiated an image campaign in 1999 using ads that detailed the company's commitment to one of four issues: hunger, disaster relief, underage tobacco use, and domestic violence. Philip Morris has donated \$60 million a year to support these causes, and its annual \$100 image campaign advertises its involvement using the tagline "Working to make a difference. The people of Philip Morris." The ads also emphasize the humanitarian efforts of two other companies owned by Philip Morris – Kraft and Miller Brewing. With the campaign, the company hoped to communicate to consumers that it is more than a tobacco company (see Figure 11-21).

In a separate program, Philip Morris spent \$100 million on its "Think, Don't Smoke" campaign against youth smoking. Philip Morris also developed a website ([www.philipmorris.com](http://www.philipmorris.com)) that provided information on the links between smoking and health problems like cancer and heart disease. The site contained links to U.S. Surgeon General's reports, the World Health Organization, and the American Cancer Society. "This is going to go on for a long time," said, Victor Han, vice president, corporate communications at Philip Morris. He added, "We expect people to be skeptical." Indeed, some critics were skeptical. Martyn Straw, president of Interbrand said, "There's a difference between doing something and telling people you're doing something."

In 2001, Philip Morris announced plans to change its name to Altria. A new logo, a multicolored square resembling a mosaic with the word Altria imprinted on it, was to replace the old Philip Morris crest. The name Altria, a coined name derived from the Latin *altus*, or "higher," was seen by many as a calculated move by Philip Morris to distance itself from its heritage as a tobacco firm. A marketing executive with Interbrand applauded the move, saying "its about time." Another expert cautioned that the company would face the challenge of convincing people "that their new brand is meaningful."

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<sup>15</sup> Ellen Simon. "Philip Morris Investing Millions in New Image." *The Star-Ledger*, July 2, 2000; Teresa F. Lindeman. "Philip Morris Wants You to Know, It Makes Jell-O and Hot Dogs, Too." *Pittsburgh Post-Gazette*, October 22, 1999; Stuart Elliot. "Tired of Being a Villain, Philip Morris Works on Its Image." *New York Times*, November 11, 1999; Philip B. Clark. "Marketing Execs Like Sound of 'Altria.'" *B to B*, December 10, 2001, p. 3



## **Chapter 12**

### **Introducing and Naming New Products and Brand Extensions**

#### **Overview**

This chapter considers the role of brand extensions in creating, maintaining, and enhancing brand equity. The popularity of brand extensions, which apply an established brand name to a new product in the same product category (line extension) or in a different product category (category extension), has been fueled in part by the rising cost of introducing new brands and by the growing realization among companies that their brand investments can be leveraged.

Brand extensions can facilitate new product acceptance by reducing consumers' perceived risk, raising the probability of gaining distribution and trial, increasing the efficiency of promotional expenditures, lowering the costs of marketing programs, eliminating new brand development costs, allowing for packaging and labeling efficiencies, and permitting consumer variety seeking. They can provide feedback benefits to the parent brand by clarifying the meaning of a brand, enhancing the parent brand image, attracting new customers to the brand franchise, and thereby expanding market coverage, revitalizing the brand, and facilitating subsequent extensions.

However, brand extensions are not a risk-free strategy. They can confuse or frustrate consumers, encounter retailer resistance, hurt the parent brand image if they fail, cannibalize sales of the parent brand, diminish the parent brand's identification with any one category, create unfavorable associations for the parent brand if they succeed, dilute the overall meaning of the parent brand, and eliminate the opportunity to develop a new brand with its own unique image and equity.

The best brand extensions not only create equity for the new product, but also add to the equity of the

parent brand. All else being equal, an extension will be more successful if consumers perceive that the parent brand and the extension product fit together in some way. A firm engaging in a brand extension strategy should 1) define actual and desired consumer knowledge about the brand, 2) identify possible extension candidates, 3) evaluate the potential of each candidate, 4) evaluate extension feedback effects, 5) consider possible competitive advantages and reactions, 6) design a marketing program to launch the extension, and 7) evaluate the success of the extension and its impact on the equity of the parent brand.

The chapter concludes by providing 14 guidelines for brand extensions based on the findings of numerous of the academic research studies. These guidelines can be employed by marketers to maximize the effectiveness and equity of extensions.

Brand Focus 12.0 analyzes the practice of line extensions. Many factors have led to aggressive line extension strategies, including customer segmentation, pricing breadth, excess capacity, competitive intensity, and trade pressure. Some of the risks of brand proliferation include: weaker line logic, lower brand loyalty, poorer trade relations, and increased costs. Recommendations to companies seeking effective product-line strategies include: improve cost accounting, allocate resources to winners, research consumer behavior, work with channel partners, and manage deletions.

### **Science of Branding**

12-1: Fighting Feature Fatigue

12-2: Understanding Master Brands

### **Branding Briefs**

12-1: Growing the McDonald's Brand

12-2: Segway Scooter

12-3: Law & Order

12-4: Are There Any Boundaries To the Virgin Brand Name?

12-5: Levi's Extends its Brand

12-6: Expanding the Marriot Brand

### **Additional Branding Briefs:**

12-7: 7Up Fails to Strike Gold in the Cola Market

**Discussion questions**

1. *Pick a brand extension. Use the models presented in the chapter to evaluate its ability to achieve its own equity as well as contribute the equity of a parent brand. If you were the manager of that brand, what would you do differently?*

Answers will vary.

2. *Do you think a brand like Xerox will be able to transform its product meaning? What are the arguments for or against?*

One reason Xerox might have trouble transforming its product meaning is due to the fact that its name has become a generic term for “photocopy.” This association will not be easily overcome. Xerox did, however, lay groundwork for a transformation by changing its slogan to “The Document Company.” If Xerox can convince consumers that it is a leader in electronic document replication and storage, not just paper document replication, it stands a chance to breathe new life into the brand.

3. *How successful do you predict these recently proposed extensions will be? Why?*
  - a. *Mont-Blanc (famous for pens) and fragrances & other accessories (watches, cufflinks, sunglasses & pocket knives)*
  - b. *Evian (famous for water) and high-end spas*
  - c. *Starbucks (famous for coffee) and film production & promotion*
  - d. *Trump (famous for hotels & casinos) and vodka & mortgage services*

Answers will vary.

4. *Consider the following brands and discuss the extendibility of each:*
  - a. *Harley-Davidson*
  - b. *Red Bull*
  - c. *Tommy Hilfiger*
  - d. *Whole Foods*
  - e. *Netflix*
  - f. *U.S. Marines*
  - g. *Gret Goose Vodka*
  - h. *Victoria's Secret*
  - i. *Blackberry*
  - j. *Las Vegas*
  - k. *Kate Spade*

Answers will vary.

5. *There are four fake brand extensions among the following list; the other six were marketed at one point. Can you identify the four fakes?*

- a. Ben-Gay Aspirin: Pain relief that comes with a warm glow*
- b. Burberry Baby Stroller: For discriminating newborns*
- c. Smith & Wesson Mountain Bikes: Ride without fear*
- d. Atlantic City Playing Cards: Talcum-Coated for easy shuffling*
- e. Pond's Toothpaste: Reduces the appearance of fine wines*
- f. Slim Jim Beef-Flavored Throat Lozenges: For meat lovers who like to sing Karaoke*
- g. Frito-Lay Lemonade: A tangy, crunchy thirst quencher*
- h. Cosmo Yogurt: Spoon it up, slim down those thighs*
- i. Richard Simmons Sneakers: Shake your cute little booty to the oldies*
- j. Madonna Condoms: For men who are packing*

The six real brand extensions are: Ben-Gay Aspiring; Smith & Wesson Mountain Bikes; Pond's Toothpaste; Richard Simmons Sneakers; and Madonna Condoms.

The four fake brand extensions are: Burberry Baby Stroller; Atlantic City Playing Cards; Slim Jim Beef-Flavored Throat Lozenges; Frito-Lay Lemonade; and Cosmo Yogurt.

### **Exercises and assignments**

1. Challenge students to identify brands with the greatest number of line extensions. Discuss the implications of such proliferation for the company, consumers, the trade, and the brand's competitive position. Robitussin cough syrup, Trojan condoms, L'eggs pantyhose, and Pampers diapers are examples of brands with numerous line extensions.
2. Do #1 above, but look at category extensions instead.
3. Have students pick two competing brands (preferably two that have not introduced category extensions) and poll consumers regarding possible extensions for each. Analyze the differences and the reasons for them.

### **Key take-away points**

1. Extensions can be either introduced in a product category currently served by the parent brand (i.e., line extension) or a completely different product category (i.e., category extension).
2. Extensions allow firms to reduce the costs of brand-building advertising campaigns and of educating consumers about specific product attributes.
3. The risks of brand extensions include dilution of the brand name and negative feedback effects on existing products.
4. The best extensions are those where the parent brand name helps the new product and the new product helps the parent brand.

**BRANDING BRIEF 12-7**  
**7UP FAILS TO STRIKE GOLD IN THE COLA MARKET<sup>16</sup>**

Seven-Up has struggled for years to properly position its flagship lemon-lime beverage and compete with the powerful Coke and Pepsi cola brands. To grow sales of the brand, it embarked on a brand extension program, introducing Cherry 7Up in 1987. Buoyed by its success — the product gained 1.7 percent market share in its first year — Seven-Up Co. decided to launch another new brand extension, 7Up Gold, in 1988. 7Up Gold was an amber-colored, spicy, caffeinated drink flavored with cinnamon, ginger, and lemon-lime, tasting something like a cross between ginger ale and Dr. Pepper. More robust, masculine, and darker than regular 7Up, the new product was intended to fill in the "missing link" in the company's product offerings.

In many ways, Seven-Up executed a traditional introductory marketing program to launch the product. They first tested the flavor to ensure its consumer likability. They strategically selected a brand name that combined the established 7Up name — for re-assurance — with the "Gold" modifier to connote high quality (but which was intended to still be ambiguous enough to reflect its unusual taste). They backed the brand with a \$10 million introductory advertising campaign. Initial network television ads used the theme song "Wild Thing" — as performed by the Troggs — and showed images of boisterous partygoers and drag-racing soda cans raising clouds of spray. The ads contained the tag line "The Wild Side of 7Up."

What went wrong? In the first place, the company chose to quickly introduce the product without any test marketing to understand consumer reaction to the marketing program as a whole. Unfortunately, as one Seven-Up executive stated,

"The product was misunderstood by the consumer. People had a clear view of what 7Up products should be — clear and crisp, and clean and no caffeine. 7Up Gold is darker and it does have caffeine so it doesn't fit the 7Up image."

Prophetically, the product failed to attract the lucrative teen market or an equally powerful group of consumers — mothers of young children.

Although sales initially looked promising, they quickly began to drop precipitously. Even more worrisome to Seven-Up management, sales of Cherry 7Up also started to slip, as 7Up Gold began to drain away advertising and marketing resources. With market share hovering at only one-tenth of one percent — well below its 1 percent target — Seven-Up was forced to discontinue the product.

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<sup>16</sup> Douglas C. McGill, "7Up Gold: The Failure of a Can't Lose Plan," *New York Times*, February 11, 1989; Jennifer Lawrence, "Seven-Up Puts New Fizz in Ads," *Advertising Age*, October 17, 1988, p.34; Marj Charlier, "Seven-Up, Despite Market Glut, Plans to Launch New Soft Drink," *Wall Street Journal*.

**BRANDING BRIEF 12-8**  
**CRYSTAL PEPSI<sup>17</sup>**

To capitalize on the trend toward clear products, such as Ban Clear deodorant and Clear Band-Aids, in December 1992 Pepsi introduced a colorless cola called Crystal Pepsi. Crystal Pepsi prominently bore the Pepsi name and logo, but the taste was made distinctly different from Pepsi by the addition of cinnamon, ginger, and pepper flavors. The slogan “You’ve never seen a taste like this” was adopted to convey the taste difference. Pepsi launched Crystal Pepsi with \$40 million advertising campaign, the centerpiece of which was a television spot featuring the Van Halen song “Right Now.” Within three months, Crystal Pepsi had captured 2.4 percent of supermarket soft-drink sales, and was on target to reach the goal of an overall two percent market share.

Many consumers did not stick with the product, however, after initial trials. The name and packaging apparently led consumers to believe that Crystal Pepsi tasted like regular Pepsi. “That is a challenge for us,” admitted Brian Swette, Pepsi’s vice president of new beverages at the time. “It is a unique taste, and there is an expectation to overcome.” Pepsi altered advertising to focus more on Crystal Pepsi’s flavor and other product attributes. The company also conducted extensive sampling to familiarize consumers with the new taste. Still, Crystal Pepsi captured only 1.1 percent of the domestic soft-drink market in its first year. Pepsi-Cola North America CEO Craig Weatherup said, “I’m more than a little disappointed we were not able to satisfy people’s taste.”

In 1994, Crystal Pepsi was reintroduced as “Crystal, from the makers of Pepsi” and reformulated drink as a citrus cola. This put Crystal in competition with Sprite and Seven-Up, rather than cola brands. The reformulated Crystal met with less success than the first recipe, and Pepsi shelved Crystal entirely before the end of the year.

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<sup>17</sup> Michael J. McCarthy. “Pepsi’s Future Could Be Less Crystal Clear.” *Wall Street Journal*, April 30, 1994; Emily DeNitto. “Pepsi Sees Citrus Appeal in its Crystal.” *Advertising Age*, July 18, 1994; Laura Zinn. “Does Pepsi Have Too Many Products?” *Business Week*, February 14, 1994.

## Chapter 13

### Managing Brands Over Time

#### Overview

The health and well-being of a brand can be significantly affected by both external forces (related to consumer behavior, channel structure and power, competitive intensity and strategy, government regulation, and other facets of the marketing environment) and internal forces (related to a company's commitment to and stewardship of a brand). This chapter examines how best to manage equity over time in the face of external and internal pressures on a brand.

The keystones to successful brand management are reinforcement of brand meaning and identification of new sources of equity. Two important factors in reinforcing brand meaning are consistency in the amount and nature of marketing support given a brand and a commitment to preserving and protecting existing sources of equity. When identifying potential new sources of equity, it is necessary for a company to recognize the inherent tradeoffs between marketing activities that fortify brand equity and those that leverage it in pursuit of growth and financial gain.

If a brand loses its luster, a revitalization strategy may be required to return it to prominence. This entails either taking a brand back to its roots to recapture lost sources of equity, or identifying and establishing new sources of equity. Sometimes a brand's misfortunes arise from a lack of breadth in consumer awareness levels caused by a tendency of consumers to think of it in very narrow ways. In such cases marketers can identify ways to use the brand more frequently, use more of the brand when it is consumed, or use the brand in more ways.

When the problem is one of image, not awareness, a new marketing campaign may be required to improve the strength, favorability, and uniqueness of a brand's associations. This can involve



neutralizing negative associations, shoring up positive associations, or creating positive associations. A company may want to reposition a brand by establishing new points-of-parity or points-of-difference.

Companies with more than one brand in a product line should develop migration strategies that rationalize the movement of consumers across franchises as their needs and wants change or as the features and positions of the brands change. If a brand fails to maintain or build equity over time, a milking strategy to extract maximum profits before “retirement” may be in order.

Brand Focus 13.0 discusses changing a corporate name and also covers brand migration strategies. High-profile corporations may spend up to \$100 million on a name change. A new name must be evaluated in terms of memorability, meaningfulness, likeability, protectability, adaptability, and transferability.

### **Science of Branding**

13-1: Brand Concept Management

13-2: Understanding Usage Expansion

### **Branding Briefs**

13-1: Razor-Sharp Branding at Gillette

13-2: Barbie vs. Bratz

13-3: Pick a Positioning! Brand Repositioning with Michelob

13-4: Remaking Burberry's Image

13-5: Two Brand Comeback Stories

13-6: Harley-Davidson Motor Company

13-7: A New Morning for Mountain Dew

13-8: AT&T: The Incredible Shrinking (and Growing) Portfolio

13-9: Volkswagen's Branding U-Turn

13-10: Building a Business By Resurrecting Orphan Brands

13-11: Brand Migration at Unilever

### **Additional Branding Briefs:**

13-12: Brewing Up Big Profits at Anheuser-Busch

13-13: Reinventing Corning ... Again

### **Discussion Questions**

1. *Pick a brand. Assess its efforts to manage brand equity in the last five years. What actions has it taken to be innovative and relevant? Can you suggest any changes to the company's marketing program?*

Answers will vary.

2. *Pick a product category. Examine the histories of the leading brands over the last decade. How would you characterize the company's efforts to reinforce or revitalize brand equity?*

Answers will vary.

3. *Identify a fading brand. What suggestions can you offer to revitalize its brand equity? Try to apply the different approaches suggested in the chapter. Which strategies would seem to work best?*

[Excite@Home](#) is a fading brand that still could be revitalized. The company could find new applications for the brand, such as an online media and entertainment provider, a full-service corporate services provider, and a consumer research provider. [Excite@Home](#) could also attempt to enter new markets globally in order to increase its market coverage. A new marketing program might improve the image of the company in the minds of consumers.

4. *Try to think of additional examples of brands that adopted either a "back to basics" or "reinvention" revitalization strategy. How well did they work?*

After a slump in the mid-1990s under Quaker Oats management, the Triarc Beverage Group bought the Snapple brand and employed a back to basics revitalization strategy to help get the brand back on its feet. Triarc returned to classic ad styles, reinstated the familiar fan favorite "Snapple Lady," reverted to the former distribution system, and utilized classic packaging. Triarc successfully turned Snapple around before selling it to Cadbury-Schweppes in 2000. Miller High Life employed a reinvention revitalization strategy as it repositioned the brand from "The Champagne of Bottled Beers" to a more earthy, everyday beer with the help of narrative ads that focused on the product and commonplace usage occasions. Miller High Life enjoyed success in the early 2000s using this reinvention strategy.

5. *Conduct a review of the Unilever brand portfolio. How successful have they been at reducing the number of brands? What lessons are to be learned from their strategies?*

Answers should reflect current brand developments and perhaps the region of the world where the student is located.

### **Exercises and assignments**

1. Ask students to pick a classic Disney movie – Snow White, Cinderella, Lady and the Tramp, 101 Dalmatians, etc. – and analyze the company's strategy for maintaining brand equity in the film over the years. Factors examined might include the theater re-release schedule, limits on the number of video copies made available, and the marketing communications campaign that accompanies a

re-release.

2. The growth of the video rental industry has shortened the “shelf lives” of movies at theaters. New releases often are on marquees for less than a month before being made available on video. Tell students to pick a recent successful movie, analyze its marketplace performance, and suggest ways the studio a) could have extended the film’s theater run and b) can maximize rental sales.
3. Have students identify brands that have had long, robust lives, analyze the reasons for their continued success, and suggest ways their parent companies might leverage or capitalize on their equity. Possible brands include Wrigley’s, Campbell’s, Crest, and Gillette.

### **Key take-away points**

1. A brand’s health can be affected by changes in consumer preferences, company commitment, competitive products and programs, and channel support, among other factors.
2. Successful brand management requires reinforcing brand meaning and identifying new sources of equity.
3. Building and maintaining customer-based equity requires consistency in the in the amount and nature of marketing support a brand receives.
4. Effective brand management requires taking a long-term view of marketing decisions.

**BRANDING BRIEF 13-12**  
**BREWING UP BIG PROFITS AT ANHEUSER-BUSCH<sup>18</sup>**

Budweiser Lager was first brewed in 1876 by E. Anheuser & Co., St. Louis. Today, Anheuser-Busch is the largest brewer in the world in terms of volume and competes across a diverse range of markets. The company oversees more than 30 different beer brands, including the domestic market leader Budweiser, a number of other beverages, a group of theme parks, and a real estate enterprise. A broad brand portfolio has been a boon to Anheuser-Busch in the past. During the Prohibition era (1920-1923), the company kept revenues pouring in by selling products as diverse as yeast, refrigeration units, truck bodies, soft drinks, and chocolate syrup. After Prohibition, Anheuser-Busch continued to grow with its core malt beverages and in 1957, Budweiser surpassed Schlitz to become the leading beer in the U.S. In 1980, the company had a 28 percent share of the domestic beer market, a figure that would rise steadily over the next two decades. By 2000, Anheuser's domestic market share climbed to 50 percent, leaving competitors Coors and Miller far behind with 21 percent and 12 percent, respectively. The table below displays Anheuser-Busch's brand portfolio.

Beers

Budweiser – the company's original beer

Bud – comes in the following varieties: Dry, Ice, Ice Light, Light

Busch – introduced 1955. Comes in Ice, Light, and regular

Michelob – first introduced in 1896. Now comes in several varieties: Light, Amber Bock, Honey Lager, Black & Tan, Hefe-Weizen

Natural – a discount beer, available in Ice and Light

The company also brews several specialty and microbrews, including Pacific Ridge Ale, Red Wolf Lager, and Safari Amber Lager. Anheuser-Busch also brews two non-alcoholic beers, Busch NA and O'Doul's.

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<sup>18</sup> Al Stamborski. "A-B Looks to Expand Its Horizons." *St. Louis Post-Dispatch*, February 19, 2001; David A. Aaker. *Managing Brand Equity*. The Free Press. New York: 1991, pp. 78-84; Hillary Chura. "Bud Set to Test Upscale Brew." *Advertising Age*, May 7, 2001; [www.budweiser.com](http://www.budweiser.com); Gerry Khermouch and Theresa Howard. "Core Brands Receive Primary Marketing Focus." *Brandweek*, June 21, 1999; Thomas Lee. "A-B Tries New Ad Approach on Internet." *St. Louis Post-Dispatch*, March 20, 2001; David Armstrong. "E-Commerce (A Special Report): Here's to the Net." *Wall Street Journal*, April 23, 2001.

### Other Alcoholic Beverages

Doc Otis Hard Lemon – a lemon-flavored malt beverage

Devon's Shandy – a beer-lemonade mix

King Cobra – malt liquor

Hurricane – malt liquor

Tequila – combines beer with the flavor of tequila

### Non-Alcoholic Non-Beer Drinks

180 – a caffeinated, carbonated energy drink

### Theme Parks

Busch Gardens – this amusement park opened in Tampa, Florida in 1959. Currently another park in Williamsburg, Virginia

Adventure Island – a water park in Tampa

Discovery Cove – animal park in Orlando.

Sea World – “marine adventure parks” located in Orlando, San Antonio, and San Diego

Sesame Place – a Sesame Street themed park in Langhorne, Pennsylvania

### ***Marketing the Flagship Beer***

Anheuser-Busch has earned a reputation as an expert marketer, due in large part to its success with the flagship Budweiser brand. Budweiser receives much of the marketing support and attention from the company. Of the \$396 million Anheuser-Busch spent on measured media in 2000, \$146 million was spent on Budweiser, compared with \$107 million for Bud Light. Advertising for Budweiser falls into one of three categories: 1) ads emphasizing product quality and heritage (using ancestors of the founders and current company heads August Busch III and his son), 2) ads focusing on social responsibility, and 3) ads designed to humor and entertain the audience.

With this segmented approach, Budweiser is able to reach a broad audience base. One marketing analyst recently proclaimed that “Budweiser, originally the beer of choice for blue-collar workers, is now beer for all

demographics.” Anheuser-Busch conducts extensive and sophisticated market research in order to develop advertising that resonates with target markets. It is no surprise, then, that advertising for Budweiser routinely garners both critical and audience acclaim, and is credited for much of the brand’s success. One of Budweiser’s most popular campaigns in recent years – the “Whassup?!” series – earned the company top honors during the Super Bowl ad frenzy, and spawned a host of Internet parodies and television spoofs. This campaign followed on the heels of the equally well-received “frogs and lizards” ads.

Anheuser-Busch moved to the Internet and launched Budweiser.com in 1996. The site offers information about the brand, company history, information about sporting events sponsored by Budweiser, downloads such as screensavers and television ads, and free e-mail addresses ending in Budweiser.com. During the first two months of 2001, Budweiser.com received almost 2 million more average monthly page visits than similar sites from Miller, Heineken, and Coors. In addition to these effective pull strategies, Anheuser-Busch uses various push strategies in retail outlets to help sell beer, from price cuts to instant-win packaging to in-store promotions. Since summer is the peak season for Budweiser, Anheuser Busch steps up its push strategies with its annual Bud Summer promotions.

### ***Anheuser-Busch Looks Ahead***

As Anheuser-Busch continues to expand, it will need new products to attract new drinkers. The company is introducing a new super-premium beer, Budweiser Red Label, using its flagship Budweiser brand as a launch pad. The company hopes the extension will attract import drinkers without alienating Budweiser purists. Other recent new products, including 180 energy drink and Tequila beer, have not been that successful. Still, Anheuser-Busch continued to set earnings records in fiscal 2001, and the strength of its continually evolving brand portfolio continued to prove itself as the company gained market share at the expense of its competitors.

## ***REINVENTING CORNING ... AGAIN<sup>19</sup>***

Corning has a history of reinventing itself. The company, founded in 1851, started as a glassworks in Cambridge, Massachusetts. Corning supplied glass for the light bulbs manufactured by Thomas Edison's General Electric. Later, it made cathode-ray tubes for television sets. In the 1950s, Corning became a household name for its ceramic housewares. Richard Foster, a McKinsey partner, said:

"If any company has a long-term claim on [reinvention], it probably Corning. They've been through five or six major transitions."

Corning began selling off its consumer products businesses in the 1990s. Consumer products were no longer driving the company's sales: housewares contributed around 15 percent of revenues in the mid-1990s. In 1998, Corning finalized the sale of its consumer division to a Wall Street investment firm. Corning instead began to focus on three major technology markets: telecommunications, advanced materials, and information display. These high-technology products also provided the company with high profit margins.

Corning rapidly established itself as the leading provider of fiber optic cable, which was in high demand by telecommunications firms looking to expand bandwidth during the tech boom in the mid-1990s. In 1999, the company produced 40 percent of the world's optical fiber, and its supply was sold out in advance for two years. Sales of optical fiber contribute 40 percent of Corning's total 2000 revenue of \$7.1 billion.

To keep up with the rapid pace of technological change, Corning invests heavily in research and development. Corning spent \$675 million – roughly eight percent of sales – on research and development in 2001. CEO John Loose said "When it comes to development of new fibers, R&D has a blank check." This dedication to innovation is reflected in the fact that eighty-four percent of Corning's products sold in 2000 were introduced

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<sup>19</sup> [www.corning.com](http://www.corning.com); William J. Holstein. "Dump the Cookware." *Business 2.0*, May 1, 2001; Del Jones. "Corning Chief Says Keep Open Mind, Challenge Strategy." *USA Today*, June 1, 2001; Timothy Aeppel. "Corning's Makeover." *Wall Street Journal*, July 16, 1999; Emily Nelson. "Corning Aims to Sell Off Its Pots, Pans." *Wall Street Journal*, May 6, 1997

within the previous four years.

Corning was profitable during the first year of the dot-com crash due to limited supply. As the economy worsened and the telecommunications sector experienced massive profit declines resulting from overproduction, however, Corning's share price plummeted from a high of \$113 in September 2000 to under \$10 a year later. John Loose, Corning's CEO, said "Our assumption was that bandwidth in the telecommunications business would grow exponentially into the future." Corning responded to the downturn by reconnecting with smaller customers it was unable to serve during the big fiber optic boom and filling back orders. The company continued to push ahead with its innovation strategy by developing new optical fibers that can carry more data over longer distances. Additionally, Corning aimed for a big piece of the household high-bandwidth market as it developed.

## **Chapter 14**

### **Managing Brands Over Geographical Boundaries and Market Segments**

#### Overview

As they search for ways to achieve economies of scale, maximize growth and profit, diversify risk, and satisfy the needs and wants of increasingly mobile consumers, more and more firms are defining the marketplace in global, rather than domestic, terms. Global marketing programs are attractive because they allow economies of scale in production and distribution, result in lower marketing costs, convey expertise and credibility, communicate a consistent brand image, permit quick and efficient leverage of good ideas, and enhance the uniformity and control of marketing practices worldwide.

Critics of standardizing marketing programs contend that they are based on "lowest common denominator" approaches that ignore differences across countries and cultures. Such differences may be related to consumer tastes and responses to marketing mix elements, product or brand life cycle stages, competitive sets, reactions of country managers, legal requirements and restrictions, and the marketing infrastructure.



Development of a global marketing program requires that a firm decide 1) which markets are most attractive in terms of their fit with corporate objectives and marketing capabilities; 2) whether to enter a given market by exporting established brands, acquiring another company's brands in the local market, or forming a strategic alliance with a local market firm; 3) what the balance between standardization/globalization and adaptation/localization in the marketing effort should be; and 4) whether the marketing organization should be centralized in the headquarters country, decentralized in the local market, or reflect a mix of the two.

In order to build global customer-based brand equity, brand awareness and a positive brand image must be created in each country in which the brand is marketed. This entails balancing the degree of standardization/globalization and adaptation/localization in the choice of branding elements, design of the supporting marketing plan, and leverage of secondary brand associations. The chapter uses the concept of the "Ten Commandments of Global Branding" to provide guidelines for marketers looking to take their brands global.

The chapter concludes by a discussion on building brand equity across market segments. There a number of different types of market segments that firms can expand into. Companies have employed regional market segmentation strategies in which a larger geographic area, such as a nation, is divided into a number of smaller segments. Other segments include demographic segments, in which a market is divided on the basis of age, gender, or income; and psychographic segments, which divide a market based on consumer ideals, beliefs, or attitudes.

Brand Focus 14.0 discusses China's global brand ambitions, starting with growing local businesses, developing interest in international markets, developing local leaders, and finally going global.

## **Science of Branding**

14-1: American Brands in the Wake of War

14-2: Brand Recall and Language

## **Branding Briefs**

14-1: Marketing to African Americans

14-2: L'Oreal Colors the World

14-3: Coca-Cola Becomes the Quintessential Global Brand

14-4: Building Brands in India

14-5: Managing Global Nestle Brands

14-6: UPS's European Express

## **Additional Branding Briefs:**

14-7: Parker Pen's Global Misadventures

14-8: Cereal Partners Worldwide

## **Discussion questions**

1. *Pick a brand marketed in more than one country. Assess the extent to which the brand is marketed on a standardized vs. customized basis.*

Answers will vary.

2. *How aware are you of the country of origin of different products you own? Which products do you care about their country of origin? Why? For those imported brands that you view positively, find out and critique how they are marketed in their home country.*

Answers will vary.

3. *Pick a product category. Consider the strategies of market leaders in different countries. How are they the same and how are they different?*

Answers will vary.

4. *Pick a product category. How are different leading brands targeting different demographic market segments?*

In the beer category, Budweiser is targeting a broad cross-section of age groups with different advertising styles. The "True" ads target the early-20s consumer, the "This Bud's for You" ads target the mid-20s to early-30s consumer, and the image ads featuring two generations of Busch family members target the 30-and-over consumer. Miller Genuine Draft ads put emphasis on the 21- to 27-year-old consumer, but the brand is also careful not to alienate older consumers

with ads geared too young, as was the case with the “Dick” ads for Miller Lite. Coors and Coors Light are currently targeting the young demographic with ads emphasizing the party lifestyle.

5. *Contrast Coke and McDonald's global branding strategies. How are they similar and how are they different? Why are they so well-respected?*

McDonald's and Coca-Cola are among the world's most recognizable brands. They present a fundamentally uniform image of quality, fun, and value. The brands are consistent across borders, so that consumers could travel the world and expect similar experiences with the brands. Both Coca-Cola and McDonald's make efforts to customize their products and their marketing messages based on the preferences of consumers in global markets. McDonald's customizes their menu to a greater extent than Coca-Cola customizes its formula.

### **Exercises and assignments**

1. Ask students to visit the Benetton website ([www.benetton.com](http://www.benetton.com)) to view the company's advertising. What are the advantages and disadvantages of the type of ads Benetton runs? How are reactions to the ads likely to differ across countries?
2. Assign students the task of introducing an American brand into a specific country in which it is not sold. What would be the challenges associated with such an introduction? What marketing strategies would be necessary? How would the strategies differ from those used in the United States?
3. Tell students to find a brand whose success in the United States is bigger than in its home country. Is the situation the result of differences in marketing or markets? In what other countries might the situation be the same.

### **Key take-away points**

1. Global marketing programs provide a number of advantages, including economies of scale, lower marketing costs, increased credibility, consistent brand image, and the ability to establish uniformity and control of marketing practices worldwide
2. The increasing mobility of consumers and reach of media allows – and even dictates – the development of global branding strategies.
3. Building global customer-based brand equity requires creating brand awareness and a positive brand image in each country in which the brand is marketed.

4. Marketers often plan globally but implement regionally.

**BRANDING BRIEF 14-7**  
**PARKER PEN'S GLOBAL MISADVENTURES<sup>20</sup>**

One of the most spectacular failures of global marketing was Parker Pen's misguided foray into standardizing their global marketing program in 1984. Parker was one of the world's best known brands. It sold writing instruments in 154 countries and decided to bring virtually every one of them under the "global marketing" umbrella. Its plan was to centralize and standardize all aspects of the marketing program — packaging, pricing, promotional materials, and especially advertising. This "one look, one voice" approach to global marketing was to be orchestrated completely from the company's U.S. headquarters in Janeville, Wisconsin.

Parker's plans were a result of increasing dissatisfaction with the brand's performance in the 1960s and 1970s. Aggressive marketing of inexpensive Japanese disposable pens and direct competition from A.T. Cross' upscale pens had eaten into the sales of Parker's high priced pens. Production facilities were out of date, and new product development was stagnant. Marketing was largely left to local operations who often introduced their own products and worked with their own ad agency. New management in 1982 moved quickly to revive the fortunes of the brand, trimming the payroll, chopping the product line to 100, consolidating and overhauling manufacturing operations to make it state-of-the-art.

As part of the new strategy, management also set in motion plans to create a standardized global marketing plan. They assigned the worldwide account to Ogilvy & Mather. In the process, they fired long-time agencies such as Lowe Howard-Spink in London whose almost legendary U.K. advertising campaigns helped to make it the most profitable market for Parker. Also, because 65% of the business consisted of pens sold under \$3, Parker management decided to attack the low end of the market with pens such as the roller-ball Vector which sold for \$2.98. Parker's intention was to participate in every viable segment of the writing instrument business. Product merchandising was changed to employ new, uniform graphics with a striking black motif.

Problems emerged almost from the start. As demand for the new roller-ball and other products was picking up, the new automated manufacturing lines were not working, resulting in higher than expected labor costs and defective products. To make matters worse, production managers at the plant, bristling at the new marketing orientation, were uncooperative. Perhaps the biggest problem occurred with advertising. The new management decreed that "Advertising for Parker pens [no matter model or model] will be based on a *common* creative strategy and positioning .. The worldwide advertising theme, 'Make your mark with a Parker,' has been adopted ...[It] will utilize similar graphic layout and photography. It will utilize an agreed-upon typeface. It will utilize the approved Parker logo/graphic design. It will be adapted from centrally supplied materials ..." Although resistant to the notion of standardization Ogilvy & Mather finally complied, creating a common ad for all countries that contained long copy, horizontal layout, illustrations in precisely the same place, the Parker logo at the bottom, and the "Make Your Mark with a Parker" tag line at the bottom right.

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<sup>20</sup> This section is based on two excellent articles: Joseph M. Winski and Laurel Wentz, "Parker Pen: What Went Wrong?," *Advertising Age*, June 2, 1986, p. 1 and Mark Patinkin, "Cross Pen Succeeds by Doing Its Homework," Scripps Howard News, with an excerpt from Ira Magaziner's *The Silent War*, published by Random House. See also Chris Reidy. "Gillette Sells Its Stationary Line to Newell." *Boston Globe*, August 23, 2000

As one management critic observed, "It was the lowest-common-denominator advertising. It tried to say something to everybody and it didn't say anything to anybody." Consumers ignored the campaign, fueling the frustration of country marketing managers. Another critic pointed out that the new strategy of producing low cost pens for the world was wrong because it ran against Parker tradition and image. Moreover, when the dollar appreciated against other currencies, the products became priced out of the market. With sales and profits plummeting, the new management team was banished within a year, and the authority of country managers was reinstated. Parker's writing instruments business was sold soon thereafter to an investment group for \$100 million. Gillette bought Parker in 1992, and added to its portfolio of stationary products that included writing instrument brands Paper Mate and Waterman. After the profits in the stationary division plummeted in the mid-1990s, Gillette sold the division to Newell Rubbermaid in 2000.

Parker Pen's global misadventure is in stark contrast to the global achievements of one of their American-based competitors, A.T. Cross. Cross pens and pencils are now sold in more than 150 countries. The cherished possession of many business executives, Cross started exporting their product in 1965 by using foreign distributors. Once they felt they knew "the lay of the land," they established their own full-time sales force and began to tackle bigger markets. Their first beachhead in Europe was Ireland where they also spent double their previous year's sales in advertising to build awareness. Eventually, the brand became the country's top seller. Similar large investments in West Germany also paid big dividends.

Moving to the next stage of their strategy, Cross decided to tailor the product, as necessary, for overseas markets. A team of engineers were sent around the world to better understand what each country might prefer. They learned, for example, that in Thailand, the product did not write as evenly as it should have. Investigating the problem, Cross engineers discovered that Thailand's hot, humid climate was causing the ink to absorb too much moisture, throwing off the flow. As a solution, they came up with a new refill design for all pens sold in the tropics, and Far East sales went up. Cross even decided to develop products purely for foreign markets, introducing fountain pens in many European countries where such products are seen as status symbols. This attention to consumers and product design and quality (e.g., Cross offers a lifetime guarantee) has resulted in a 50% share of the U.S. market for upper-end writing instruments and a leadership position in dozens of countries.

**BRANDING BRIEF 14-8**  
**CEREAL PARTNERS WORLDWIDE<sup>21</sup>**

For years, while Kellogg's made some of the character's behind their cereals — Toucan Sam, Tony the Tiger, and Snap, Crackle, and Pop — household names in Europe, General Mills chose to ignore overseas market to concentrate on domestic concerns. In 1992, General Mills decided that their well-known cereal brands such as Cheerios, Wheaties, Golden Grahams, Trix, and Lucky Charms needed to grow their sales, at least in part, by looking at new markets.

International markets offered a golden opportunity for growth. Europeans on average eat just three pounds of cereal a year per capita, compared with ten pounds in the U.S. Starting from a small base, sales volume in some markets, such as Spain and Portugal, have been growing at 20% to 50% a year, vs. 5% in the U.S. The challenge? How to overcome Kellogg's 70-year head start and strong presence in the \$3.5 billion European cereal market. Deciding that the few available takeover candidates were over-priced and that building factories and distribution channels from scratch would have taken too long and be too risky, General Mills' solution was to adopt an unusual entry strategy for a packaged goods company — a joint venture.

Cereal Partners Worldwide (CPW) is a joint venture between General Mills and Nestle. Nestle, the world's largest food company, possessed much brand equity and a strong distribution system but lacked any cereal brands. As part of the agreement, General Mills supplied Nestle with its product formulations, technology, and cereal-making expertise. Nestle, using three of their existing cereal plants in Europe would then produce some of the 30 or so cereal brands that General Mills made in North America. Nestle's corporate name would then appear across the entire product line with the General Mills or Nestle brand used to identify individual items. In 1990, the venture acquired the cereals business from Ranks Hovis McDougall PLC for roughly \$165 million. With brands such as Shreddies and Shredded Wheats, they obtained an instant 15% market share in the U.K. General Mills set aside most of Nestle's weaker brands to roll out their familiar American standbys while adding the Nestle trademark to the packages. They also directed a complete makeover of Nestle's Chocapic cereal. By 1999, the joint venture was producing \$1 billion in sales and had been extended into more than 60 markets that total 75 percent of cereal consumption outside of North America.

In any brand alliance, there are risks involved. It is rare that partnerships are equal. One partner may split off, and with the knowledge gained from the other, become an even stronger competitor. General Mills felt that the benefits outweighed the costs, and even chose to enter into another European joint venture in 1992 with PepsiCo. Snack Ventures Europe started with revenues of around \$641 million, split 60% PepsiCo and 40% General Mills. General Mills' rationale again was to combine strengths with another consumer goods giant. In this case, General Mills was good at making products that were extruded into distinct shapes (e.g., Bugles snacks) while PepsiCo dominated the snack business. Moreover, General Mills was stronger in Northern Europe while PepsiCo was stronger in Southern Europe.

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<sup>21</sup> Adapted from Lois Therrien, "Cafe Au Lait, A Croissant — And Trix," *Business Week*, August 24, 1992, pp. 50-51 and Richard Gibson, "General Mills Would Like to Be Champion of Breakfasts in Europe," *Wall Street Journal*, December 1, 1989, p. 6.

## Chapter 15

### Closing Observations

#### Overview

The final chapter of the book summarizes the customer-based brand equity framework; reviews guidelines for building, measuring, and managing brand equity described in earlier chapters; then offers a perspective on activities and attitudes that can help or hurt a brand.

A brand's equity can be weakened by a failure to understand the full range of associations consumers have for it, inadequate marketing support, unwillingness to spend the time and/or money required to build brand awareness and image, a lack of appreciation of the brand equity concept within the corporation, or an inability to strike the appropriate balance between maintaining consistency and implementing change in marketing actions.

In order to maximize brand equity, firms must develop products that fit with a brand's meaning and satisfy the needs and wants of consumers; decide on the points of parity and points of difference that will result in the best market position; provide superior delivery of benefits; maintain innovation in design, manufacturing and marketing; be seen as expert, trustworthy and likable; communicate with a consistent voice; employ a full range of complementary brand elements and supporting marketing programs; and design and implement a brand hierarchy and brand portfolio that establishes the optimal relationship among the company's offerings.

Brand management issues related to industrial goods, high-technology products, services, retailers, and small businesses are discussed. The brand equity framework is compared to models developed by other authors. The chapter and the book conclude by considering how branding and branding principles might change over time.

Brand Focus 15.0 details the Brand Report Card. The Brand Report Card evaluates a company's brand management based on the following criteria: managers understand what the brand means to consumers;



the brand is properly positioned; customers receive superior delivery of the benefits they value most; the brand takes advantage of the full repertoire of branding and marketing activities available to build brand equity; marketing and communications efforts are seamlessly integrated and the brand communicates with one voice; the brand's pricing strategy is based on consumer's perceptions of value; the brand uses appropriate imagery to support its personality; the brand is innovative and relevant; for a multi-product, multi-brand company, the brand hierarchy and brand portfolio are strategically sound; the company has in place a system to monitor brand equity and performance.

### **Science of Branding**

15-1: How Smaller Can Be Better

15-2: David Aaker's Brand Equity Model

15-3: Scott Bedbury's Eight Branding Principles

### **Branding Briefs**

15-1: Reinvigorating Branding at Procter & Gamble

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15-4: Singapore Airlines Soars

15-5: Branding Success at Tesco

15-6: Green Mountain Coffee Roasters

15-7: Making Connections at MySpace

### **Additional Branding Briefs:**

15-8: Categories of Products and Services

15-9: Building Corporate Brand Equity: The CSR Challenge

### **Discussion questions**

1. *What do you think makes a strong brand? Can you add any criteria to the list provided?*

Another potential criterion is the establishment of a brand equity measurement system.

2. *What about deadly sins? Do you see anything missing from that list of seven?*

Another sin might be failure to recognize the role of consumers in the creation of brand equity.

3. *Pick one of the special applications and choose a representative brand within that category. How well do the five guidelines apply?*

*Can you think of others not listed?*

Answers will vary.

4. *What do you see as the future of branding? How will the roles of brands change? What different strategies might emerge as to how to build, measure, and manage brand equity in the coming years?*

*What do you see as the biggest challenges?*

Student answers may reflect current developments and will vary.

5. *Review the different trade-offs identified as part of achieving marketing balance. Can you identify any other trade-offs not listed? For each trade-off, can you identify a company that has excelled on achieving balance on that trade-off?*

Answers will vary.

### **Exercises and assignments**

Because most students will be involved with a brand audit project that would be nearing completion by the time the material in this chapter is covered, it does not make much sense to include additional exercises and assignments at this point. If students are not doing a brand audit project, however, then it may make sense to have a “mini” version of the project for brands assigned by the instructor or chosen by the students.

### **Key take-away points**

1. Brand management is an art and a science and the purpose of the text was to provide a number of concepts, tools, frameworks, etc to help with the latter.
2. Virtually all the branding concepts, tools, frameworks reviewed in the book were relevant to any particular application. Nevertheless, there are unique characteristics to any application that suggest more specific guidelines.
3. The Brand Report Card or any comprehensive brand evaluation tool is a good way to critique the brand management process.

## ***BRANDING BRIEF 15-8***

### ***CATEGORIES OF PRODUCTS AND SERVICES***

Physical goods can be classified in various ways. For example, one classification based on consumer shopping habits distinguishes between the following:<sup>22</sup>

- 1) Convenience goods. Goods that the customer usually purchases frequently, immediately, and with a minimum of effort (e.g., chewing gum, candy bars, and soft drinks).
- 2) Shopping goods. Goods that the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price, and style (e.g., furniture, clothing, and major appliances).
- 3) Specialty goods. Goods with unique characteristics and/or brand identification for which a significant group of buyers are habitually willing to make a special purchasing effort (e.g., specific brands and types of luxury goods, cars, and audio and video equipment).

Another classification is based on durability: Nondurable goods are goods that normally are consumed in one or a few uses; durable goods are tangible goods that normally survive many uses. Finally, an additional physical goods classification is based on the nature of the customer buying the product: Consumer goods are typically bought by an individual or family for personal or home use whereas industrial goods are typically bought by an organization for business or commercial use. There are many different types of industrial goods, such as:<sup>23</sup>

- 1) Raw materials and manufactured materials and parts that enter the manufacturer's product completely;
- 2) Long-lasting capital installations and equipment that facilitate developing and/or managing finished products; and

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<sup>22</sup> Philip Kotler, Marketing Management: Analysis, Planning, and Control, 8th ed., 1994, Englewoods Cliff, NJ: Prentice-Hall.

<sup>23</sup> Philip Kotler, Marketing Management: Analysis, Planning, and Control, 8th ed., 1994, Englewoods Cliff, NJ: Prentice-Hall.

3) Short-lasting supplies and services that facilitate developing and/or managing finished products.

Kotler defines a service as "any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything."<sup>24</sup> Services come in many different forms. Although the production of services is not necessarily tied to a physical product, they can often accompany goods in some way. Kotler maintains that company service offerings can really be placed on a continuum that includes five levels:

- 1) Pure tangible good (e.g., a toothpaste),
- 2) Tangible good with accompanying services (e.g., an automobile),
- 3) Hybrid (e.g., a restaurant),
- 4) Major service with accompanying minor goods and services (e.g., an airline), and
- 5) Pure service (e.g., a hair stylist).

In terms of where offerings are placed on the continuum, pure services can be distinguished from pure tangible goods along four dimensions:

- 1) Tangibility - unlike physical goods, services cannot be seen, tasted, felt, heard, or smelled before they are bought;
- 2) Separability - unlike physical goods, services are typically produced and consumed simultaneously;
- 3) Variability - unlike physical goods, services depend more on exactly who provides them and where they are provided;
- 4) Perishability - unlike physical goods, services cannot be stored.

These four dimensions pose challenges to the marketing of services. To overcome these potential marketing problems, service firms can take a number of actions. For example, potential perishability problems can be addressed on the demand side by marketing actions such as differential pricing, the

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cultivation of non-peak demand, complementary services, and reservation systems. Potential perishability problems can be addressed on the supply side by marketing actions such as part-time employee staffing, peak-time efficiency routines, increased consumer participation, shared services, and facilities for future expansion.<sup>25</sup>

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**BRANDING BRIEF 15-9**  
**BUILDING CORPORATE BRAND EQUITY:**  
**THE CSR CHALLENGE**

The main branding challenge faced by CSR Limited is one faced by many expanding industrial firms: How to create the proper brand hierarchy to reflect a vastly changed -- and still changing -- line of business. CSR's history in Australia goes back decades. The company was originally named Colonial Sugar Refinery and its early reputation was formed as a sugar company. Through the years, the CSR brand became synonymous for sugar. The company began to sell by-products of its sugar cane, and over the years, found itself moving outside the sugar business. By the mid 1990's, through product development and acquisition, CSR had become one of the Top 10 companies in Australia. The vast majority of CSR's business, however, was now in building and construction materials, including the following eight business units -- besides sugar -- which ranged in sales from \$200 million to \$1.5 billion:

- 1) CSR Readymix pre-mixed concrete,
- 2) CSR Gyprock plaster boards and dry wall,
- 3) CSR Hebel lightweight aerated concrete blocks and reinforced panels,
- 4) Monier clay and concrete roof tiles,
- 5) PGH bricks,
- 6) Bradford insulation
- 7) CSR Softwoods
- 8) CSR Wood panels

CSR is faced with a number of branding and marketing challenges. For example, how should they best exploit brand synergies? They sell virtually all the "ingredients" to construct a house or commercial building. How should they package their different brands so that the "whole is greater than the sum of the parts?" Along these lines, CSR has developed "Homescape Selection Centres" to allow consumers 1-stop shopping. Homescape centres were seen as a means of increasing consumer confidence in their choice of building supplies and materials by allowing them to see the full range of offerings. How far should CSR push such a concept? Should they get involved in the actual installation of these products? How should they deal with their intermediaries, e.g., builders and contractors?

Second, and relatedly, should a brand umbrella be placed over these different business? A circular red logo was developed that placed the CSR name in the middle surrounded by the slogan, "Building in Quality" along the outside border. The logo was placed alongside all the different brands. Was this sufficient? Did this create an adequate connection. To many Australians, CSR still meant sugar -- a stark contrast from building supplies and material. Should the sugar company be spun off and another brand introduced to encompass the other, more similar products? Alternatively, should a strong sub-brand be introduced under the CSR name that accomplished a similar thing?

Thus, CSR faces some fundamental branding challenges that will affect their corporate brand equity as well as the equity of the individual products they sell. Their decisions in these different areas will go a

long way in determining their success in the coming years.

## **Chapter 15**

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Second, and relatedly, should a brand umbrella be placed over these different business? A circular red logo was developed that placed the CSR name in the middle surrounded by the slogan, "Building in

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<sup>29</sup> Philip Kotler, Marketing Management: Analysis, Planning, and Control, 8th ed., 1994, Englewoods Cliff, NJ: Prentice-Hall.

Quality” along the outside border. The logo was placed alongside all the different brands. Was this sufficient? Did this create an adequate connection. To many Australians, CSR still meant sugar -- a stark contrast from building supplies and material. Should the sugar company be spun off and another brand introduced to encompass the other, more similar products? Alternatively, should a strong sub-brand be introduced under the CSR name that accomplished a similar thing?

Thus, CSR faces some fundamental branding challenges that will affect their corporate brand equity as well as the equity of the individual products they sell. Their decisions in these different areas will go a long way in determining their success in the coming years.

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<sup>11</sup>Adrian Room, *Dictionary of Trade Name Origins*, Routledge & Kegan Paul, 1982.