ROYAUME DU MAROC
MINISTERE DU TOURISME, DE L'ECONOMIE SOCIALE ET DE L'ARTISANAT
DEPARTEMENT DU TOURISME
INSTITUT SUPERIEUR INTERNATIONAL DE TOURISME DE TANGER

ISITT

High International Institute of Tourism in Tangier

Administration and Management of Hospitality and Tourist Companies

End of Studies Project

Theme:

Brand Management Process: How to Build, Measure and Manage Brand Equity

Case study: McDonald's, the Fast Food Super-Brand

Authors:
Abdelkader BOURBAB
Mohamed BOUKILI

Supervisor:
Mr. Abdessalam TALIBI

Academic year 2007-2008

High International Institute of Tourism in Tangier

Administration and Management of Hospitality and Tourist Companies

Brand Management Process: How to Build, Measure and Manage Brand Equity

Case study: McDonald's, the Fast Food Super-Brand

End of Studies Project

Authors:
Abdelkader BOURBAB
Mohamed BOUKILI

Supervisor:
Mr. Abdessalam TALIBI

Academic year 2007-2008

Abstract

Nowadays, the modern world marketplace is becoming more and more complex. The volatility of economies and markets, the accelerating rate of turbulent change, the changing needs of consumers, the relentless progress of technologies and innovations, and increasing market fragmentation have caused the destruction of many products and companies all over the world. Thus, to resist any kind of change, brand management seems to be an imperative.

We are in a world where parity is the norm. The availability of new technologies has enabled companies to easily replicate the products, systems, services, and processes of others, generating a huge strategic problem for businesses of differentiation. Added to this is the rapidly decreasing life cycle of products, in some cases now down to a matter of weeks.

Strong brands alleviate these problems. They differentiate companies and products from their competitors, make access to new markets and industries easier, provide returns on investment worth multiples of the value of the net assets of businesses through an endless stream profits, and – best of all – have no life cycle if they are looked and managed well.

In addition to that, we believe the route to corporate success in the future will be found in developing brands that show more care. By this we mean that the "leading brands" in the foreseeable future will be those that demonstrate not just social responsibility, but a real willingness to care for people and the world in which we live. Great brands will be like great people – those whom we respect for their humility, leadership, compassion, leading-edge thinking, and the trust they place in consumers. Brands that reach such insights will, in return, be a part of the lives of millions, admired for what they are and what they do. **Brand Image will become a much more determinant of success.**

In this end of studies project report, we deal with brands – why they are important, what they represent to consumers, and what should be done by firms to manage them properly. Thus, we provide insights into how profitable brand strategies can be created by building, measuring, and managing brand equity. Further, we study McDonald's experience to evaluate its strategy in terms of brand management.

Résumé

De nos jours, le marché mondial est devenu de plus en plus complexe. L'instabilité des économies et des marchés, l'évolution rapide des besoins des consommateurs, le développement sans précédent des progrès technologiques et des innovations, ainsi que la fragmentation des marchés ont abouti au déclin de nombreux produits et à la ruine de plusieurs entreprises et grosses structures partout dans le monde. Ainsi, et pour résister face à toutes ces variables, la gestion de la marque semble être un impératif à mettre en priorité.

Nous sommes dans un monde où la parité constitue la norme. La disponibilité des nouvelles technologies a permis aux entreprises de copier et d'imiter facilement les produits, les systèmes, les services, et les processus des concurrents. De ce fait, un véritable problème stratégique est à relever : l'indifférenciation ou encore la standardisation des produits. De plus, le cycle de vie des produits est souvent court.

Les grandes marques allègent ce genre de problèmes. Elles différencient les entreprises et les produits des autres concurrents, permettent facilement l'accès à des nouveaux marchés et à des nouvelles branches d'activité, favorisent le retour sur investissements à travers la maximisation des profits, et surtout n'ont pas de cycle de vie si elles sont bien gérées.

De plus, nous crayons fortement que le succès de l'entreprise sur le long terme s'avère impérativement lié à la gestion de la marque et aux attitudes développées vis-à-vis des consommateurs. Les marques leaders seront forcément celles qui manifestent leurs intérêts pour agir sur des causes à caractère communautaire. Il ne s'agit pas seulement d'une responsabilité sociale, mais aussi d'une volonté réelle à agir positivement sur les relations sociales et le monde dans lequel on vit. Les grandes marques sont comme les grandes personnalités, on les respecte pour leur humilité, leadership, et leur façon d'agir. Ce sont des marques qui, par conséquence, feront partie de la vie des millions de gens, elles sont admirées pour ce qu'elles sont et ce qu'elles font. **L'image de marque est devenue le critère de succès.**

Dans ce rapport de projet de fin d'études, nous traitons de la marque, son importance pour les firmes, ce qu'elle représente pour les consommateurs, et ce qui doit être fait pour la gérer convenablement. De ce fait, nous présentons les directives et les fondements de base nécessaires pour construire, mesurer et gérer le capital marque. Finalement, nous analysons le cas de McDonald's et ses stratégies de marque.

Dedication

This work is dedicated:

To my mother: I love you my source of life.

To the memory of my father: you are always present in my mind.

To my beautiful sisters: I love you all.

To my little brother: Abderrahman you are the best!

To the sweet Kawtar.

To my brother-in-law: youssef

To all my friends, especially: Simo, Anas, Monsif, Amine, Ahmed, Ismail, Hsissou and Adil.

-Abdelkader-

Dedication

I want to dedicate this humble work:

To my parents who have taught me so much about life, love, and happiness.

To my lovely brother Mourad who lives in Italy, I miss you so much!

To all my sisters, you continue to make my heart feel good, and I look forward to growing old together.

To my brother in low Hassan, you are really my best friend!

To Houda & Anas, I love you so much!

To AbdelKader, Your friendship was my greatest achievement in this life.

To Rajae, words are not expressive!

To all my real friends

-Mohamed-

Acknowledgment

First, we would like to express our deepest gratitude to Mr Talibi Abdessalam, our teacher, friend and supervisor for his good suggestions, support, kindness, favour, generosity and humour. We learn always new thinks from you teacher!

We would like to thank Mrs Hanane Boukili, from Al Akhawayn University, for her precious help at the starting of this work, and particularly in providing us with the convenient books and references.

A particular acknowledgement is for all our professors and teachers during these latter four years during our studies within ISITT. They were an inexhaustible source of learning.

Our thoughts go to all those who have been a real help for us, especially our administration staff members: Mr Mohtaj Abdelhaq, Mr Afqir Adnane and Mrs Karam Aziza.

Finally, our special thanks go to the students of AGETH II, for their continuous support. We will never forget you.

Mohamed BOUKILI
& Abdelkader BOURBAB

Continents

Index of abbreviations

- CBBE: Customer-Based Brand Equity
- IMC: integrated marketing communication
- EDLP: Everyday low pricing
- ROQ: return on quality
- TQM: total quality management
- URLs: Uniform Resource Locators
- B2E: business to employee
- POPs: points of parity
- PODs: points of difference
- CSR : Corporate Social Responsibility
- EFTA: European Free Trade Association
- QSRs: Quick Service Restaurants

List of figures

> “A brand is a set of differentiating promises that link a product to its customers.”
>
> *Stuart Arges, Young & Rubicam*

General Introduction

It is surprising that many companies still pay little attention to the management of their brands, compared to the meticulous way in which they manage other aspects of their business. One reason for this might be that in many parts of the world, brand management is still fairly new to marketers. In Asia, for example, it's only recently that the power of branding has been understood, and there are many young people who find themselves in senior positions having had little brand management experience. Not that this situation is peculiar to the Far East. Branding itself is still an evolutionary concept, and the techniques associated with managing brands are also developing.

Most companies are in crisis! The accessibility of new technologies has enabled companies to easily replicate the products, services, systems, and processes of others, generating a huge strategic problem for businesses of differentiation. Products and brands offered for consumers are almost always the same! No differences occur to enhance the competitive advantage. Thus, an obvious question is: How to fight brand indifferentiation?

The purpose of the study is to highlight the role of careful brand management in creating powerful brands that last for years. The study provides a comprehensive guide to the different elements involved in brand management.

To fight indifference, Brand management should fulfill three basic objectives: information, differentiation, and seduction.

Information because it should tell us something about the product offered that is intangible and decipherable: I have to understand the proposal of basic value or what the product offered consist of.

Differentiation because what it tells us should be perceived as different by the purchaser or, in other words: I understand what you are telling me and I think that it is something that the others haven't told me.

Seduction because this is the reason d'être of any brand. The first two are in the service of the third: in the end a brand has to tell us something that we consider to be interesting and that ends up seducing us. And seduction is something very subtle.

In order to get a broad insight and a comprehensive overview of the research subject, the report will primarily take on a theoretical approach that provides theories and framework for brands and strategic implications involved in the process of branding. Further, we focus on a practical approach to verify how brand management is effective for firms.

Along this report, we present different steps of development of leading brand strategies.

This report begins with an initiation into fundamentals of branding, giving a brief terminology that helps the reader to understand the language of branding. The first part introduces one particular view – the concept of customer-base brand equity (CBBE) – that will serve as the organizing framework for the rest of the book. It presents the CBBE model in detail and discusses some of the main implications of that model.

In the second part, we analyze the outcomes arising from the marketing programs that are able to register the brand in memory and link it to strong, favorable and unique associations. Marketing programs deals with product, pricing, distribution, and communication strategies and their role in building brand equity.

Then we move to the measurement system design description. This chapter takes a detailed look at what consumers know about brands, what marketers want them to know, and how marketers can develop measurement procedures to assess how well they are doing. Next, we examine brand value chain, brand equity measurement system, approaches to measure customer's brand knowledge structures, and potential outcomes of brand equity. Moreover, we will describe branding strategies related to brand-product matrix, brand hierarchy, and brand extensions.

Further, we explain how brands and products must be effectively managed over time and target market segments by creating brand awareness and a positive brand image. Finally, we start with the description of the McDonald's corporation and its global brand strategy. After, we explain how it needs to be constantly reassessed, in terms of fixing on the best course of action for its brand in particular markets, based on an analysis of the relevant customers' perception of the brand.

Part I

Fundamentals of branding

Chapter 1

Opening Perspectives

Introduction

This first Chapter defines what a brand is. It considers the functions of a brand from the perspective of both consumers and firms and why brands are important to both. It considers what can and cannot be branded and identifies brand leadership. The chapter concludes with an overview of the historical origins of branding.

1.1 Definition

The American Marketing Association describes a brand as a "name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition." Technically speaking, then, whenever a marketer creates a new name, logo, or symbol for a new product, he or she has created a brand.

It should be recognized that many practicing managers, however, refer to a brand as more than that – defining a brand in terms of having actually created a certain amount of awareness, reputation, prominence, and so on in the marketplace.

1.2 Brands versus products

It's important to contrast a brand and a product. According to Phillip Kotler, a well regarded marketing academic, a product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want.

A brand is therefore a product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need. These differences may be rational and tangible – related to product performance of the brand – or more symbolic, emotional, and intangible – related to what the brand represents.

1.3 Why do brands matter

An obvious question is why are brands important? What functions do they perform that make them so valuable to marketers? One can take a couple of perspectives to uncover the value of brands to both consumers and firms themselves.

This is an overview of the different roles that brands play for these two parties.

Consumers

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

Manufacturers

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

1.4 Can anything be branded

Branding involves creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm. The key to branding is that consumers perceive differences among brands in a product category.

Over the years, a number of products that at one time were seen as essentially commodities have become highly differentiated as strong brands have emerged in the category[1]. Marketers convinced consumers that a product was not a commodity and actually could vary appreciably in quality. In these cases, brands have been created by image or other non-product-related considerations.

Generally speaking, all products can be branded. This includes:

- ✓ Physical Goods
- ✓ Services
- ✓ Retailers and Distributors
- ✓ Online Products and Services
- ✓ People and Organizations
- ✓ Sports, Arts, and Entertainment
- ✓ Geographic Locations
- ✓ Ideas and Causes

[1] Levitt, ‘’Marketing Success. ‘’

1.5 Brand leadership

Leadership is part of the core identity for many brands, especially corporate brands, and with good reason. It can inspire employees and partners by setting a high brand aspiration level; the goal of being out in front makes the brand-building task exciting and worthwhile. For many customers, a leadership brand provides reassurance, while for others it implies quality and/or innovation that translates into solid functional benefits. Buying and using a true leadership brand also delivers self-expressive benefits – a feeling of importance and the satisfaction of having good judgment.

At the end of this dissertation, there will be a special report that reveals Business Week's ranking of the world's 100 most valuable brands based on Interbrand's brand valuation methodology.

1.6 Historical origins of branding

The word brand comes from the Old Norse brandr, meaning to burn, and from these origins made its way into Anglo-Saxon. It was of course by burning that early man stamped ownership on his livestock, and with the development of trade buyers would use brands as a means of distinguishing between the cattle of one farmer and another. A farmer with a particularly good reputation for the quality of his animals would find his brand much sought after, while the brands of farmers with a lesser reputation were to be avoided or treated with caution. Thus the utility of brands as a guide to choice was established, a role that has remained unchanged to the present day.

Some of the earliest manufactured goods in mass production were clay pots, the remains of which can be found in great abundance around the Mediterranean region, particularly in the ancient civilizations of Etruria, Greece and Rome. There is considerable evidence among these remains of the use of brands, which in their earliest form were the potter's mark. A potter would identify his pots by putting his thumbprint into the wet clay on the bottom of the pot or by making his mark: a fish, a star or cross, for example. From this we can safely say that symbols (rather than initials or names) were the earliest visual form of brands.

In Ancient Rome, principles of commercial law developed that acknowledged the origin and title of potters' marks, but this did not deter makers of inferior pots from imitating the marks of well-known makers in order to dupe the public. In the British Museum there are even examples of imitation Roman pottery bearing imitation Roman marks, which were made in Belgium and exported to Britain in the first century AD. Thus as trade followed the flag – or Roman Eagle – so the practice of unlawful imitation lurked close behind, a practice that remains commonplace despite the strictures of our modern, highly developed legal systems.

With the fall of the Roman Empire, the elaborate and highly sophisticated system of trade that had bound together in mutual interdependence the Mediterranean and west European peoples gradually crumbled. Brands continued to be used but mainly on a local scale. The exceptions were the distinguishing marks used by kings, emperors and governments. The fleur-de-lis in France, the Hapsburg eagle in Austria-Hungary and the Imperial chrysanthemum in

Japan indicated ownership or control. (Interestingly, the chrysanthemum signifies death in Korea, intermittently over the centuries a Japanese colony.)

In a similar fashion the cockleshell, derived from the legend attached to the shrine of St. James at Santiago de Compostella in northwest Spain, a favorite medieval center of pilgrimage when the holy places of Palestine were closed to pilgrims by the Muslims was widely used in pre-Renaissance Europe as a symbol of piety and faith. In the 17th and 18th centuries, when the volume manufacture of fine porcelain, furniture and tapestries began in France and Belgium – largely because of royal patronage – factories increasingly used brands to indicate quality and origin. At the same time, laws relating to the hallmarking of gold and silver objects were enforced more rigidly to give the purchaser confidence in the product.

However, the widescale use of brands is essentially a phenomenon of the late 19th and early 20th centuries. The industrial revolution, with its improvements in manufacturing and communications, opened up the Western world and allowed the mass-marketing of consumer products. Many of today's best-known consumer brands date from this period: Singer sewing-machines, Coca-Cola soft drinks, Bass beer, Quaker oats, Cook's tours, Sunlight soap, Shredded Wheat breakfast cereal, Kodak film, American Express travelers' checks, Heinz baked beans and Prudential Insurance are just some examples.

Hand in hand with the introduction of these brands came early trademark legislation. This allowed the owners of these brands to protect them in law (indeed, the Bass "Red Triangle" trademark was the very first registered in the UK in 1876, and the beaming Quaker, who adorns the pack of the eponymous oats, is now well into his second century). The birth of advertising agencies such as J. Walter Thompson and NW Ayer in the late 19th century gave further impetus to the development of brands.

But it is the period since the end of the Second World War that has seen the real explosion in the use of brands. Propelled by the collapse of communism, the arrival of the Internet and mass broadcasting systems, and greatly improved transportation and communications, brands have come to symbolize the convergence of the world's economies on the demand-led rather than the command-led model. But brands have not escaped criticism. Recent anti-globalization protests have been significant events. They have provided a timely reminder to the big brand owners that in the conduct of their affairs they have a duty to society, as well as customers and shareholders.

Conclusion

Brand is a powerful tool if understood and properly managed. It gives companies longevity and the potential for immortality. In the next chapter, we will examine brand equity concept, introducing one particular view – the concept of customer-based brand equity – that will serve as the organizing framework for the rest of the report.

Chapter 2

Understanding the Customer-based brand equity model

Introduction

Two questions often arise regarding brands: **what makes a brand strong? And how do you build a strong brand?** To help answer both of these questions, this section introduces the customer-based brand equity (CBBE) model. This model incorporates recent theoretical advances and managerial practices in understanding and influencing consumer behavior. Although a number of useful perspectives concerning brand equity have been put forth. The CBBE model provides a unique point of view as to what brand equity is and how it should best be built, measured, and managed.

2.1 Brand Equity

Brand equity is the commercial value of all associations and expectations (positive and negative) that people have of an organization and its product and services due to all experiences of, communications with, and the perceptions of the brand over time. This value can be measured in several ways: as the economic value of the brand asset itself, as the price premium (to the end consumer or the trade) that the brand commands, as the long term consumer loyalty the brand evokes, or as the market share gains it results in, among many others. From an economist's perspective, brand equity is the power of the brand to shift the consumer demand curve of a product or service (to achieve a price premium or a market share gain).

2.2 Customer-Based Brand Equity

The CBBE model approaches brand equity from the perspectives of the consumer-whether it be an individual or an organization. Understanding the needs and wants of consumers and devising products and programs to satisfy them are at the heart of successful marketing. In particular, two fundamentally important questions faced by marketers are: what do different brands mean to consumers? And how does the brand knowledge of consumers affect their response to marketing activity?

Customer-based brand equity is formally defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand.

There are three key ingredients to this definition: (1) “differential effect,” (2) “brand knowledge,” (3) “consumer response to marketing.” First, brand equity arises from differences in consumer response. If no differences occur, then the brand name product can essentially be classified as a commodity or generic version of the product. Competition, most likely, would then just be based on price. Second, these differences in response are a result of consumers’ knowledge about the brand, that is, what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time. Thus, although strongly influenced by the marketing activity of the firm, brand equity ultimately depends on what resides in the mind of consumers. Third, the differential response by consumers that makes up the brand equity is reflected in perceptions, preferences, and behavior related to all aspects of the marketing of a brand (e.g., choice of a brand, recall of copy points from an ad, actions in response to a sales promotion, or evaluations of a proposed brand extension).

2.3 Brand knowledge

From the perspective of the CBBE model, brand knowledge is the key to creating brand equity, because it creates the differential effect that drives brand equity. What marketers need, then, is an insightful way to represent how brand knowledge exists in consumer memory. An influential model of memory developed by psychologists is helpful in that regard[2]. The associative network memory model views memory as consisting of network of nodes and connecting links, in which nodes represent stored information or concepts. Any type of information that is verbal, visual, abstract, or contextual in nature.

Consistent with the associative network memory model, brand knowledge is conceptualized here as consisting of a brand node in memory with a variety of associations linked to it. In particular, brand knowledge can be characterized in terms of two components: brand awareness and brand image.

2.3.1 Brand Awareness

Brand awareness consists of brand recognition and brand recall performance. Brand recognition relates to consumers’ ability to confirm prior exposure to the brand when given the brand as a cue. In other words, brand recognition requires that consumers can correctly discriminate the brand as having been previously seen or heard. For example, when consumers go to the store, it is the case that they will be able to recognize the brand as one to which they have already been exposed? Brand recall relates to consumers’ ability to retrieve the brand from the memory when given the product category, the needs fulfilled by the category, or a purchase or usage situation as a cue. In other words, brand recall requires that consumers correctly generate the brand from memory when given a relevant cue. For example, recall of Kellogg’s Corn Flakes will depend on consumers’ ability to retrieve the brand when they think of the cereal category or of what they should eat for breakfast or eat for a snack, either at the store(when making a purchase), at home(when making a consumption choice), or wherever. Brand awareness also involves linking the brand – the brand name, logo, symbol and so forth – to certain associations in memory. In particular, building brand awareness involves helping customers to understand the product category in which the brand competes.

[2] John R. Anderson, the Architecture of cognition (Cambridge, MA: Harvard University Press, 1983); Robert S. Wyer Jr. and Thomas K. Sully, “Person Memory and Judgment,” Psychological Review 96, no. 1 (1989):1-29.

Awareness is created by increasing the familiarity of the brand through repeated exposure (for brand recognition) and strong associations with the appropriate product category or other relevant purchase or consumption cues (for brand recall).

2.3.2 Brand Image

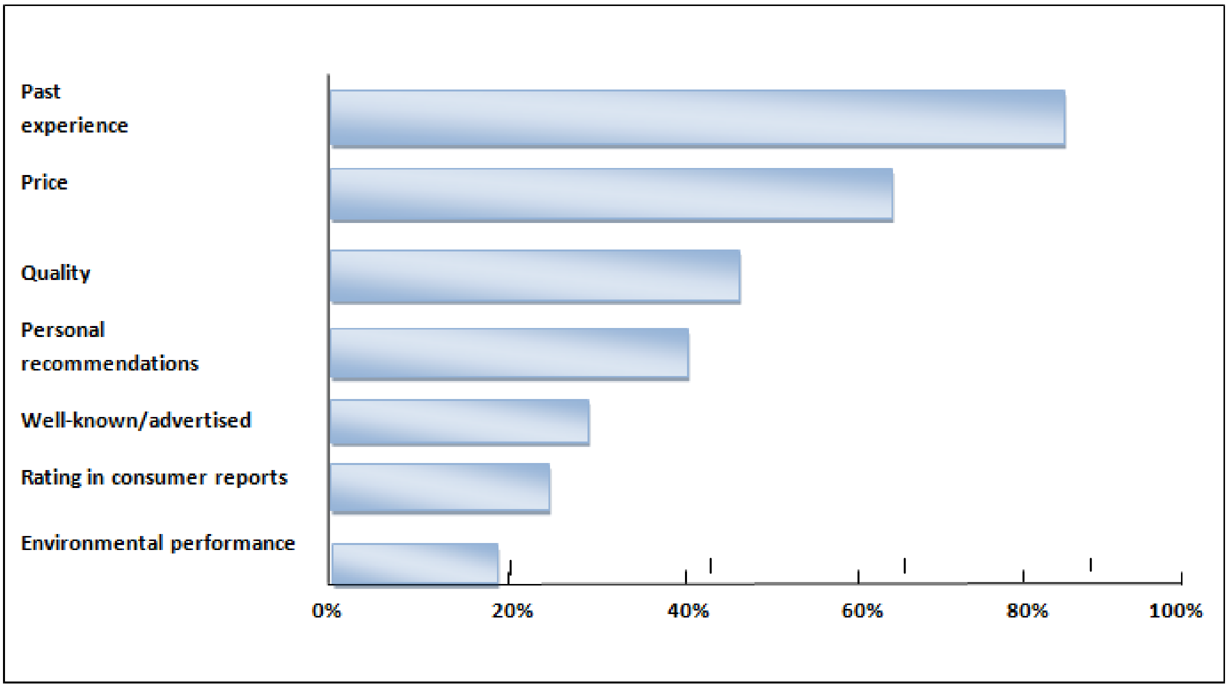
Brand image is the totally of perceptions resulting from all experience with and knowledge of the brand. It's how consumers perceive the brand. A positive brand image is created by marketing programs that link **strong, favorable, and unique associations.**

Strength of Brand Associations

Making sure that associations are linked sufficiently strongly to the brand will depend on how the marketing program and other factors affect consumer's brand experiences. Associations will vary in the strength of their connection to the brand node. Strength is a function of both the amount, or quantity, of processing that information receives as well as the nature, or quality, of that processing. The more deeply a person thinks about product information and relates it to exciting brand knowledge. The stronger the resulting brand associations. Two factors facilitating the strength of association to any piece of information are the personal relevance of the information and the consistency with which this information is presented over time. The particular associations that are recalled and salient will depend not only on the strength of association, but also on the context in which the brand is considered and the retrieval cues that are present that can serve as reminders. This section considers the factors that, in general, affect the strength and recallability of a brand association.

As note earlier, consumer beliefs about brand attributes and benefits can be formed in different ways. Brand attributes are those descriptive features that characterize a product or service. Brand benefits are the personal value and meaning that consumers attach to the product or service attributes. In general, the source of information creating the strongest brand attribute and benefit associations is direct experience. This type of information can be particularly influential in consumers' product decisions, as long as consumers are able to accurately interpret their experiences. As Figure 2-1 Shows, according to at least one consumer survey, knowing what to expect from a product because of past experience was most common reason for buying a particular brand. The next strongest associations are likely to be formed on the basis of word of mouth (friends, family, etc.) or other noncommercial sources of information (consumer unions, the popular press, etc.). Word of mouth is likely to be particularly important for restaurants, entertainment, banking, and personal services. Company-Influenced sources of information, such as advertising, are often likely to create the weakest associations and thus may be the most easily changed.

FIGURE 2.1: Consumer Reasons for Brand Choice



Favorability and Uniqueness of Brand Associations

Choosing which favorable and unique associations to link to the brand requires careful analysis of the consumer and competition to determine the optimal positioning for the brand. In the most basic sense, favorable brand associations are created by convincing consumers that the brand possesses relevant attributes and benefits that satisfy their needs and wants, such that they form positive overall brand judgments. Thus, favorable associations for a brand are those associations that are desirable o consumers and are successfully delivered by the product and conveyed by the supporting marketing program for the brand (e.g., such that the brand is seen as highly convenient, reliable, effective, efficient, colorful, and so on).

Brand associations may or may not be shared with other competing brands. The essence of brand positioning is that the brand has a sustainable competitive advantage or "unique selling preposition" that gives consumers a compelling reason why they should buy that particular brand[3]. These differences may be communicated explicitly by making direct comparisons with competitors, or may be highlighted implicitly without stating a competitive point of reference.

[3] David A. Aaker, ''Positioning Your Brand, '' Business Horizons 25 (May/June 1982): 56-62; Al Ries and Jack Trout, Positioning: The Battle for Your Mind (New York, McGraw-Hill, 1979); Yoram Wind, Product Policy: Concepts, Methods, and Strategy (Reading, MA: Addison-Wesley, 1982).

Furthermore, they may be based on product-related attributes or benefits. In fact, in many categories-product-related attributes, such as user type or usage situation, may more easily create unique associations.

The existence of strongly held, favorably evaluated associations that are unique to the brand and imply superiority over other brands is critical to a brand's success. Yet, unless the brand faces no competition, it will most likely share some associations with other brands. Shared associations can help to establish category membership and define the scope of competition with other products and services[4].

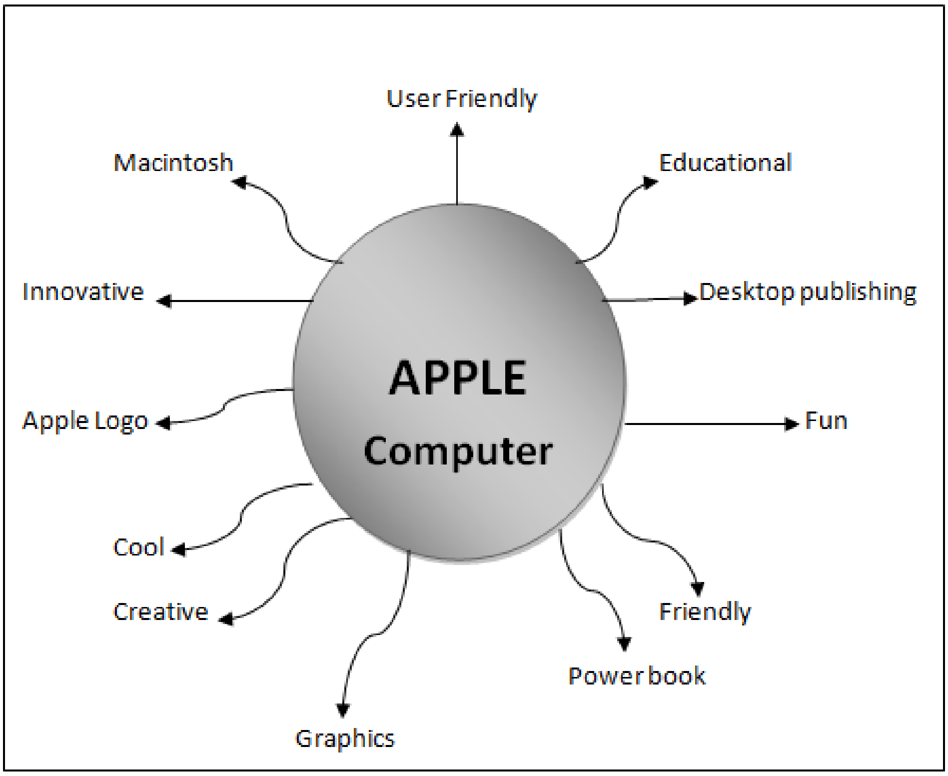
In short, to create the differential response that leads to consumer-based brand equity, it's important that some of the strongly held associations are not only favorable but also unique. Unique brand associations are distinct associations not shared with competing brands. Beliefs about unique attributes and benefits for brands that consumers value more favorably than competitive brands can lead to a greater likelihood of the consumers choosing the former brands.

Thus, it's important to associate unique, meaningful points of difference to the brand to provide a competitive advantage and "reason why" consumers should buy it.

Generally speaking, Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable, and unique brand associations in memory. For example, Apple has been able to achieve a rich brand image made up of a host of brand associations in the minds of at least some consumers. Associations such as "user friendly," "creative," "for desktop publishing," "used at many schools," and so forth. Figure 2-2 displays some commonly mentioned associations that came to mind for you would make up your brand image for Apple.

FIGURE 2.2 : Possible Apple Computer Associations

[4] Deborah J. MacInnis and Kent Nakomoto, ''Factors That Influence Consumers' Evaluations of Brand Extensions," working paper, Karl Eller School of Management, University of Arizona, 1991; Mita Sujan and James R. Bettman, "The Effects of Brand Positioning Strategies on Consumers' Brand and Category Perceptions: Some Insights from Schema Research," Journal of Marketing Research 26 (November 1989): 454-467.



2.4 Building a Strong Brand

Building a strong brand, according to the CBBE model, can be thought of in terms of a sequence of steps, in which each step is contingent on successfully achieving the previous step. All the steps are as follows:

1) Ensure identification of the brand with customers and an association of the brand in customer's minds with a specific product class or customer need.

2) Firmly establish the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations with certain properties.

3) Elicit the proper customer responses to this brand identification and brand meaning.

4) Convert brand response to create an intense, active loyalty relationship between customers and the brand.

These four steps represent a set of fundamental questions that customers invariably ask about brands – at least implicitly if not even explicitly – as follows (with corresponding brand steps in parentheses).

1. Who are you? (Brand identity)

2. What are you? (Brand meaning)

3. What about you? What do I think or feel about you? (Brand responses)

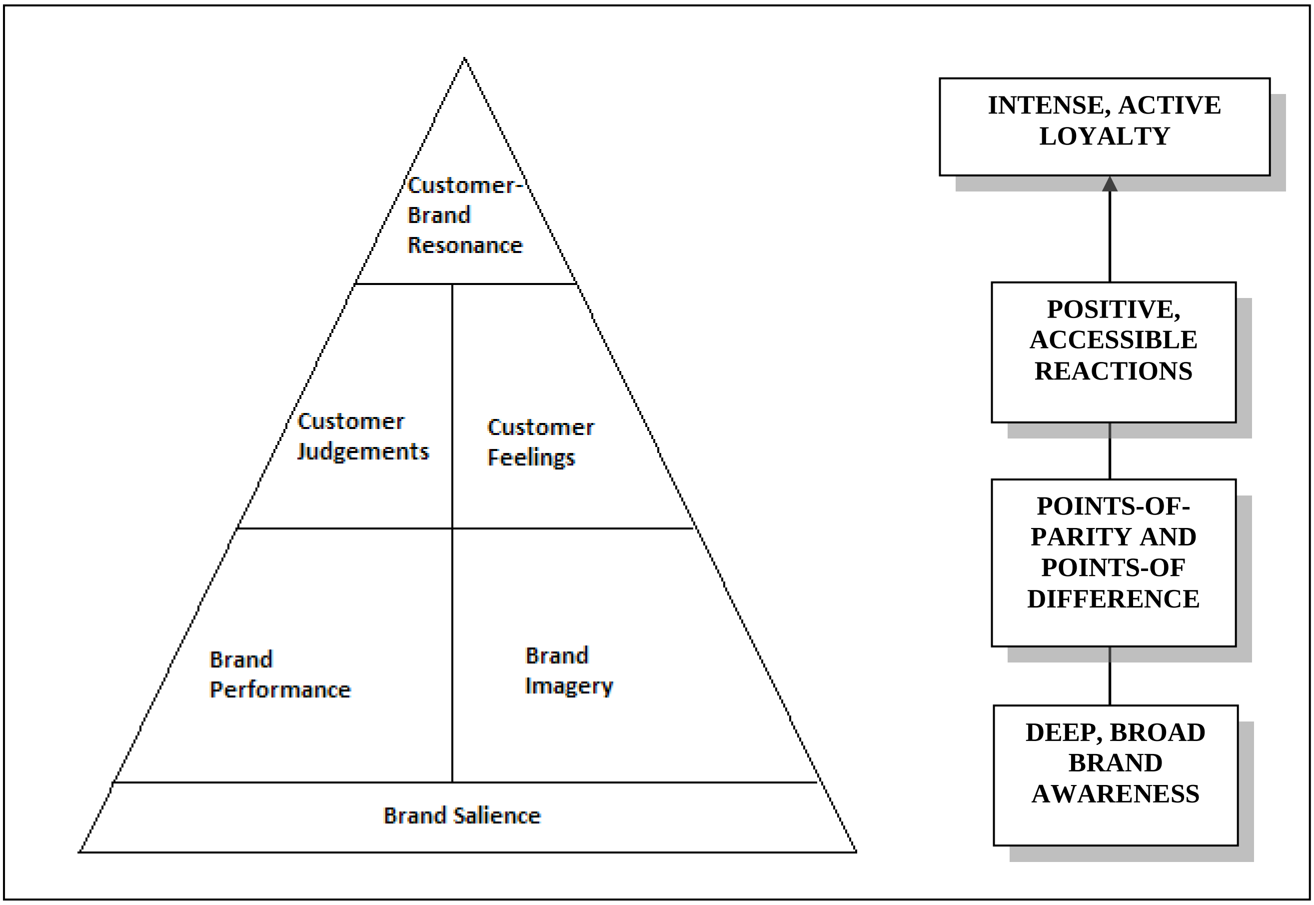
4. What about you and me? What kind of associations and how much of a connection would I like to have with you? (Brand relationship)

There is an obvious ordering of the steps in this “branding ladder,” from identity to meaning to responses to relationships. That is, meaning cannot be established unless identity has been created; responses cannot occur unless the right meaning has been developed; and a relationship cannot be forged unless the proper responses have been elicited.

2.5 Brand Building Blocks

Performing the four steps to create the right brand identity, brand meaning, brand responses, and brand relationship is a complicated and difficult process. To provide some structure, it is useful to think of sequentially establishing six “brand building blocks” with customers. To connote the sequencing involved, these brand building blocks can be assembled in terms of a brand pyramid. Creating significant brand equity involves reaching the pinnacle of the CBBE brand pyramid and will only occur if the right building blocks are put into place. This brand building process is illustrated in figure 2.3, and each of these steps and corresponding brand building blocks are examined in the following section.

Figure 2.3: Customer-Based brand Equity Pyramid



2.5.1 Brand Salience

Achieving the right brand identity involves creation brand salience with customers. Brand salience relates to aspects of the awareness of the brand, for example, how often and easily the band is evoked under various situations or circumstances. To what extent is the brand top-of-mind and easily recalled or recognized? What types of cues and reminders are necessary? How pervasive is this brand awareness?

Brand awareness can be characterized according to depth and breadth. The depth of brand awareness concerns the likelihood that a brand element will come to mind and the ease with which it does so. For example, a brand that can be easily recalled has a deeper level of brand awareness than one that only can be recognized. The breadth of brand awareness concerns the range of purchase and usage situations in which the brand element comes to mind. The breadth of brand awareness depends to a large extent on the organization of brand and product knowledge in memory.

In some cases, the best route for improving sales of a brand is not by improving consumer attitudes toward the brand but, instead, by increasing the breath of brand awareness and situations in which consumers would consider using the brand.

2.5.2 Brand Performance

Brand performance relates to the way in which the product or service attempts to meet customers' more functional needs. Thus, brand performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. How well does the brand rate on objective assessments of quality? To what extent does the brand satisfy utilitarian, aesthetic, and economic customer needs and wants in the product or service category?

The specific performance attributes and benefits making up functionality will vary widely by category. Nevertheless, there are five important types of attributes and benefits that often underlie brand performance, as follows[5]:

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

2.5.3 Brand Imagery

Brand imagery deals with the extrinsic properties of the product or service, including the way in which the brand attempts to meet customers' psychological or social needs. Brand imagery is how people think about a brand abstractly, rather than what they think the brand actually does. Thus, imagery refers to more intangible assets of the brand. Many kinds of intangibles can be liked to a brand, but four categories can be highlighted:

1. **User profiles**

   For example, Marlboro cigarettes have more "masculine" associations.
2. **Purchase and usage situations**

   For example, Domino's was known for delivery and Pizza Hut for dine-in service.
3. **Personality and values**

   For example, a brand, like a person, can be characterized as being "modern," "old-fashioned," "lively," "exotic," etc.
4. **History, heritage, and experiences**

   For example, there may be associations to aspects of the marketing program for the brand, for instance, the color of the product or look of its package.

2.5.4 Brand Judgments

Brand judgments focus on consumer's personal opinions and evaluations with regard to the brand. Brand judgments involve how customers put together all the different performance and imagery associations of the brand to form different kinds of opinions. Customers may make al types of judgments with respect to a brand, but in terms of creating a strong brand, four types of

---

[5] David Garvin, ''Product Quality: An Important Strategic Weapon,'' Business Horizons 27 (May-June): 40-43; Phillip Kotler, Marketing Management, 10th ed. (Upper Saddle River, NJ: Prentice-Hall, 2000).

summary brand judgments are particularly important: quality, credibility, consideration, and superiority.
Brand Quality: Brand attitudes are defined in terms of consumers' overall evaluations of a brand.
Brand Credibility: Brand credibility refers to the extent to which the brand as a whole is seen as credible in terms of three dimensions: perceived expertise (is the brand seen as competent, innovative, and a market leader?), trustworthiness (is the brand seen dependable and keeping customer interests in mind?), and likability (is the brand seen as fun, interesting, and worth spending time with?).
Brand Considerations: Consideration depends on how personally relevant consumers find the brand, that is, the extent to which customers view the brand as being appropriate and meaningful to themselves. Consideration depends also in large part on the extent to which strong brand and favorable brand associations can be created as part of the brand image.
Brand superiority: Superiority relates to the extent to which customers view the brand as unique and better than other brands. In other words, do customers believe that the brand offers advantages that other brands cannot?

2.5.5 Brand Feelings

Brand feelings relates to the social currency evoked by the brand. What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customer's feelings about themselves and their relationship with others?

The following are six important types of brand-building feelings[6].

1. **Warmth:** Consumers may feel sentimental, warmhearted, or affectionate about the brand
2. **Fun:** The brand makes consumers feel amused, lighthearted, joyous, playful, cheerful, and so on.
3. **Excitement:** The brand makes consumers feel energized, cool, sexy and so on.
4. **Security:** The brand produces a feeling of safety, comfort, and self-assurance.
5. **Social approval:** Consumers feel that others look favorably on their appearance, behavior, and so on.
6. **Self-respect:** The brand makes consumers feel a sense of pride, accomplishment, or fulfillment.

2.5.6 Brand Resonance

Brand Resonance refers to the nature of the relationship that the consumer has with the brand. Resonance is characterized in terms of intensity, or the depth of the psychological bond that customers have with the brand, as well as the level of activity engendered by this loyalty (e.g., repeat purchase rates and the extent to which customers seek out brand information, events, and other loyal customers). Specifically, brand resonance can be broken down into four categories:

[6] Lynn R. kahle, Basil Poulos, and Ajay Sukhdial, ''Changes in Social Values in the United States during the Past Decade,'' Journal of Advertising Research (February/March 1988) : 35-41

1. *Behavioral loyalty*
2. *Attitudinal attachment*
3. *Sense of community*
4. *Active engagement*

Conclusion

The customer-based brand equity (CBBE) model lays out a series of steps for building a strong brand:(1) Establish the proper brand identity, (2) create the appropriate brand meaning,(3) elicit positive brand responses, and (4) forge strong brand relationships with consumers. The CBBE model maintains that six brand building blocks – brand salience, brand performance, brand imagery, brand judgments, brand feelings, and brand resonance – provide the foundation of successful brand development.

Part II
Strategic Brand Management Process

Chapter 3

Brand Positioning and Values

Introduction

This Chapter builds on the notions introduced previously to first consider how to define desired or ideal brand knowledge structures in terms of how to position a brand. Positioning involves identifying and establishing points of parity and points of difference to establish the right brand identity and to create the proper brand image. Next, the chapter reviews how to identify and establish core brand values and a brand mantra to build brand equity.

3.1 Brand positioning

Brand positioning is at the heart of marketing strategy. Kotler defines brand positioning as the "act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's minds." [7]Thus, positioning as the name implies, involves finding the proper "location" in the minds of a group of consumers or market segment so that they think about a product or service in the "right" or desired way. Positioning is all about identifying the optimal location of a brand and its competitors in the minds of consumers to maximize potential benefit to the firm. A good brand positioning helps to guide marketing strategy by clarifying what a brand is all about, how it is unique, and how it is similar to competitive brands, and why consumers should purchase and use the brand.

According to the CBBE model, deciding on a positioning requires determining a frame of reference (by identifying the target market and the nature of competition) and the ideal points-of-parity and the points-of-difference brand associations. In other words, it's necessary to decide who the target consumer is, who the main competitors are, how the brand is similar to these competitors, and how the brand is different from these competitors. These four ingredients are each discussed in turn.

3.1.1 Target Market

[7] Phillip Kotler, Marketing Management, 11th ed.(Upper Saddle River, NJ: Prentice-Hall, 2003).

Identifying the target segment is important because different consumers may have different brand knowledge structures and thus different perceptions and preferences for the brand. Without this understanding, it may be difficult to be able to state which brand associations should be strongly held, favorable, and unique. A number of considerations are important in defining and segmenting a market and choosing target market segments. A Few are highlighted here.

Market segmentation involves dividing the market into distinct groups of homogeneous consumers who have similar needs and consumer behavior and thus require similar marketing mixes. Defining a market segmentation plan involves tradeoffs between costs and benefits. The more finely segmented the market, the greater the likelihood that the firm will be able to implement marketing programs that meet the needs of consumers in any one segment.

Segmentation bases:

Figures 3.1 and 3.2 display some possible segmentation bases for consumer and industrial markets, respectively. In general, these bases can be classified as descriptive or customer-oriented (related to what kind of person or organization is the customer) versus behavioral or product-oriented (related to how the customer thinks of or uses the brand or product).

Thus, behavioral segmentation bases are often most valuable in understanding branding issues because they have clearer strategic implications. For example, marketers may choose to segment a particular market on the basis of age and target a certain age group, but the underlying reason why that age group may be an attractive market segment may be because they are particularly heavy users of the product or are most likely able to seek the benefit that the product is best able to deliver.

FIGURE 3.1: Consumer Segmentation Bases	FIGURE 3.2: Business-to-Business Segmentation bases
Behavioral User status Usage rate Usage occasion Brand loyalty Benefits sought **Demographic** Income Age Sex Race Family **Psychographic** Values, opinions, and attitudes Activities and Lifestyle **Geographic** International Regional	**Nature of Good** Kind Where used Type of buy **Buying Condition** Purchase location who buys Type of buy **Demographic** SIC Code Number of employees Number of production workers Annual sales volume Number of establishments

Criteria:

A number of criteria have been offered to guide segmentation and target market decisions, such as the following:[8]

- **Identifiability:** Can segment identification be easily determined?
- **Size:** Is there adequate sales potential in the segment?
- **Accessibility:** Are specialized distribution outlets and communication media available to reach the segment?
- **Responsiveness:** How favorably will the segment respond to a tailored marketing program?

[8] Ronald Frank, William Massey, and Yoram Wind, Market Segmentation (Englewood Cliffs, NJ: Prentice-Hall, 1972).

Generally speaking, the overriding consideration in defining market segments is profitability.

3.1.2 Nature of competition

It's important to define the nature of competition when deciding to target a certain type of consumer because certain firms have also decided to target that segment in the past (or plan to do so in the future) or because consumers in that segment already may look to certain brands in their purchase decisions. Moreover, recognizing the nature of different levels of competition has important implications for the desired brand associations and for decisions related to which products and brands are most likely to be seen as close substitutes.

3.1.3 Points of Parity and points of Difference

Points-of-Difference Associations (PODs): PODs are attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand. Creating strong, favorable, and unique associations is a real challenge to marketers, but essential in terms of competitive brand positioning.
Points-of-parity Associations (POPs): POPs are those associations that are not necessarily unique to the brand but may in fact be shared with other brands. Generally speaking, these associations are considered as being necessary to be a legitimate and credible offering with a certain product or service category. Thus, these attribute associations are minimally at the generic product level and most likely at the expected product level.

3.2 Positioning guidelines

Two key issues in arriving at the optimal competitive brand positioning are:
1. Defining and communicating the competitive frame of reference;
2. Choosing and establishing points of parity and points of difference.[9]

3.2.1 Defining and communicating the competitive frame of reference

A starting point in defining a competitive frame of reference for a brand positioning is to determine category membership. Membership indicates the products or sets of products with which a brand competes. Choosing to compete in different categories often result in different competitive frames of reference and thus different POPs and PODs.

Communicating category membership informs the consumer about the goals that might achieve by using a product or service. For highly established products and services, category membership is not a focal issue. Target customers are aware that Coca-Cola is a leading brand of soft drink, that Kellogg's Corn Flakes is a leading brand of cereal, etc.

[9] Brian Sternthal and Alice Tybout, D. Iacobucci, Ed., Kellogg on Marketing, (Chichester, NY: Wiley, 2001).

There are many situations, however, in which it's important to inform consumers of a brand's category membership. Perhaps the most obvious situation is the introduction of new products, where the category membership is not always apparent. This uncertainly can be especially true for high-tech products.

3.2.2 Choosing and Establishing points of parity and points of difference

Points of parity are driven by the needs of category membership (to create category POPs) and the necessity of negating competitors' PODs (to create competitive POPs). In terms of choosing points of difference, broadly, the two most important considerations are:

- **Consumers should find the POD desirable:** Target consumers must find the POD personally relevant, distinctive, and believable.

- **Consumers should believe that the firm has the capabilities to deliver on POD:** Deliverability criteria are: Feasibility, communicability, and sustainability.

If both of these considerations are satisfied, the POD has the potential to become a strong, favorable, and unique brand association.

Creating a strong, competitive brand positioning requires establishing the right points of parity and points of difference. The difficulty in doing so, however, is that many of attributes or benefits that make up the POPs or PODs are negatively correlated. That is, if consumers mentally rate the brand highly on one particular attribute or benefit, they also rate it poorly on another important attribute. For example, it might be difficult to position a brand as "inexpensive" and at the same time assert that is "of the highest quality." Figure 3.3 displays some other examples of negatively correlated attributes and benefits.

Figure 3.3: Examples of Negatively Correlated Attributes and Benefits.

Low price vs. high quality
Taste vs. Low calories
Nutritious vs. good tasting
Efficacious vs. mild
Powerful vs. Safe
Strong vs. refined
Ubiquitous vs. Exclusive
Varied vs. Simple

cally desire to maximize both of the negatively correlated allenge for marketers is to develop a product or service that performs well on both dimensions. Thus, several additional ways exist to address the problem of negatively correlated POPs and PODs. The following three approaches are listed in increasing level of effectiveness – but also increasing level of difficulty.

- **Separate the Attribute**: An expensive but sometimes effective approach is to launch two different marketing campaigns, each devoted to a different brand attribute or benefit. The hope is that consumers will be less critical when judging the POP and POD benefits in isolation because the negative correlation might be less apparent.

- **Leverage Equity of another Entity**: brands can potentially link themselves to any kind of entity that possesses the right kind of equity – a person, other brand, event, and so forth. As a means to establish an attribute or benefit as a POP or POD.

- **Redefine the relationship**: brands can provide consumers a different perspective and suggesting that they may be overlooking or ignoring certain factors or other associations and considerations.

3.3 Brand Values

It's often useful to define a set of core brand values to capture the important dimensions of the brand meaning and what the brand represents. It's also often useful to synthesize the core brand values to a core brand promise or brand mantra that reflects the essential "heart and soul" of the brand.

3.3.1 Core Brand Values

Core brand values are those set of abstract associations (attributes and benefits) that characterize the 5 to 10 most important aspects or dimensions of a brand. Core brand values can serve as an important foundation for the brand strategy in numerous ways. In particular, core brand values can serve as the basis of brand positioning in terms of how they relate to points of parity and points of difference.

Core brand values can be identified trough a structured process. The first step is to create a detailed mental map of the brand. A mental map accurately portrays in detail all salient brand associations and responses for a particular target market (e.g., brand users). Mental map must reflect the reality of how the brand is actually perceived by consumers in terms of their beliefs, attitudes, opinions, feelings, images, and experiences. One of the simplest research techniques to get consumers to create mental map is by asking consumers for their top-of-mind brand associations (e.g., "when you think of this brand, what comes to mind?").

Next, brand associations are grouped into categories according to how they are related, often with two or four associations per category. Each category is labeled to be as descriptive as possible as a core brand value. For example, in response to a Nike brand probe, consumers may list Michael Jordan, Tiger Woods, Andre Agassi, and Lance Armstrong, which could be summarized by the label "top athletes." In assembling core brand values, the challenge is to maximize the coverage of the mental map to include all relevant associations while making sure each core brand value is as distinct as possible.

3.3.2 Brand Mantras

To provide further focus as to what a brand represents, it is often useful to define a brand mantra.[10] A brand mantra is highly related to branding concepts such as "brand essence" or "core brand promise" used by others. A brand mantra is an articulation of the "heart and soul" of the brand. Brand mantras are short, three-to five-word phrases that capture the irrefutable essence or spirit of the brand positioning and brand values. Their purpose is to ensure that all employees

[10] Kevin Lane Keller, ''Brand Mantras: Rationale, Criteria, and Examples,'' Journal of Marketing Management 15 (1999) : 43-51.

within the organization and all external marketing partners understand what the brand most fundamentally is to represent with consumers so that they can adjust their actions accordingly.

Brand mantras are powerful devices, they can provide guidance as to what products to introduce under the brand, what ad campaigns to run, where and how the brand should be sold, and so on.

To implement brand mantra, the following considerations should come into play.

- **Communicate:** a good brand mantra should define the category (or categories) of business for the brand and set the brand boundaries. It should also clarify what is unique about the brand.
- **Simplify:** an effective brand mantra should be memorable. As a result, it should be short, crisp, and vivid. In many ways, a three-word mantra is ideal because it is the most economical way to convey the brand positioning;
- **Inspire:** Ideally, the brand mantra should also stake out ground that is personally meaningful and relevant to as many employees as possible. Brand mantras can do more than inform and guide; they can also inspire if the brand values tap into higher-level meaning with employees as well as consumers.

3.4 Internal Branding

Core brand values and brand mantras point out the importance of internal branding – making sure that members of the organization are properly aligned with the brand and what it represents. Much of the branding literature has taken an external perspective, focusing on strategies and tactics that firms should take to build or manage brand equity with consumers. Without question, at the heart of all marketing activity is the positioning of a brand and the essence of its meaning with consumer. In terms of strategic and tactical importance, properly positioning a brand is essential to creating a strong brand.

Equally important, however, is positioning the brand internally, that is, the manner by which the brand positioning is explained and communicated internally.[11] Companies need to engage in continual open dialogue with employees. Branding should be perceived as participatory. Some firms have pushed B2E (business-to-employee) programs through corporate intranets and other means. The objective is to inform and to inspire employees to maximize their mutually beneficial contribution to brand equity.

Conclusion

Determining the desired brand knowledge structures involves positioning a brand in the minds of consumers. According to the CBBE model, deciding on a positioning requires determining a frame of reference and the ideal points of points of parity and points of difference brand associations. A broader set of considerations is also useful for positioning, especially for a more developed brand that spans multiple categories. A mental map accurately portrays in detail all salient brand associations and responses for a particular target market. Core brand values are

[11] Stan Maklan and Simon Knox, Competing on Value (Upper Saddle River, NJ: Financial Times Prentice-Hall, 2000).

those set of abstract associations that characterize the 5 to 10 most important aspects or dimensions of a brand. Core brand values can serve as an important foundation for the brand strategy in numerous ways. Finally, a brand mantra is an articulation of the “heart and soul” of the brand. Brand mantras are short, three-to-five word phrases that capture the irrefutable essence or spirit of the brand positioning and brand values. Their purpose is to ensure that all employees and external marketing partners understand what the brand most fundamentally is to represent with consumers so that they can adjust their actions accordingly.

Chapter 4

Brand Marketing Programs

Introduction

This chapter considers how different brand elements can be chosen to build brand equity. After describing the general criteria for choosing brand elements, it considers specific tactical issues for each of the different types of brand elements. Further, the chapter considers how marketing programs in general and product, pricing, and distribution strategies in particular can build brand equity – that is, enhance brand awareness, improve the brand image, elicit positive brand responses, and increase brand resonance. Finally, the section considers how marketers can create integrated marketing communication programs to build brand equity and the leveraging process.

4.1 Choosing Brand Elements to Build Brand Equity

4.1.1 Criteria for choosing brand elements

In general, there are six criteria in choosing brand elements:

1. **Memorability:** A necessary condition for building brand equity is achieving a high level of brand awareness. Toward that goal, brand elements can be chosen that are inherently memorable and therefore facilitate recall or recognition in purchase or consumption settings.

2. **Meaningfulness**: Besides choosing brand elements to build brand awareness, brand elements can also be chosen whose inherent meaning enhances the formation of brand associations. Brand elements may take on all kinds of meaning, varying in descriptive, as well as persuasive, content.

3. **Likability**: The association suggested by a brand element may not always be related to the product. Thus, brand elements can be chosen that are in rich in visual and verbal imagery and inherently fun and interesting.

4. **Transferability**: The forth general criterion concerns the transferability of the brand element – in both a product category and geographic sense. First, to what extent can the brand element add to the brand equity of new products sharing the brand elements introduced with the product class or across product class? Second, to what extent does the brand element add to brand equity across geographic boundaries and market segments?

5. **Adaptability**: The fifth consideration concerns the adaptability of the brand element over time. Because of changes in consumer values and opinions, or simply because of a need to remind contemporary, brand elements often must be updated over time. The more adaptable and flexible the brand element, the easier it is to update it. For example: logos and characters can be given a new look or a new design to make them appear more modern and relevant.

6. **Protectability:** the sixth and final consideration concerns the extent to which brand element is protectable – both in a legal and competitive sense. In term of legal considerations, it's important to (1) choose brand elements that can be legally protected on an international basis, (2) formally register them with the appropriate legal bodies, and (3) vigorously defend trademarks from unauthorized competitive infringement. In terms

of competitive considerations, Even is a brand element can be protected legally, it still may be the case that competitive actions can take away much of the brand equity provide by the brand elements themselves. If a name, package, or other attribute is too easily copied, much of the uniqueness of the brand may disappear.

4.1.2 Options for Brand Elements

Brand Names: the brand name is a fundamentally important choice because it often captures the central theme or key associations of a product in a very compact and economical fashion. Brand names can be an extremely shorthand means of communication. It's desirable for the brand name to be simple and easy to pronounce or spell to enhance brand recall. Simplicity reduces consumers' cognitive effort to comprehend and process the brand name. Short names often facilitate recall because they are easy to encode and store in memory. Ease of pronunciation is critical to obtain valuable word-of-mouth exposure that helps to build strong memory links. Although choosing a memorable name is valuable, it's often necessary for the brand to have broader meaning to consumers than just the product category it is in. Brand names also can be chosen to communicate abstract considerations. For example, brand names may be intangible or emotion-laden to arouse certain feelings.

Uniform Resource Locators (URLs): URLs are used to specify locations of pages on the web, and are also commonly referred to as domain names. Anyone wishing to own a specific URL must register and pay for the name with a service such as Register.com. Brand recall is critical for URLs because, at least initially, consumers must remember the URL to be able to get to the site.

Logos and Symbols: although the brand name typically is the central element of the brand. Visual brand elements often play a critical role in building brand equity, especially in terms of brand awareness. Because of their visual nature, logos and symbols are often easily recognized and can be a valuable way to identify products, although a key concern is how well they become liked in memory to the corresponding brand name and product to boost brand recall. That is, consumers may recognize certain symbols but unable to link them to any specific product or brand.

Characters: characters represent a special symbol – one that takes on human or real life characteristics. Brand characters typically are introduced through advertising and can play a central role in these and subsequent ad campaigns and package designs. Brand characters can provide a number of brand equity benefits. Because they are often colorful and rich in imagery, they tend to be attention getting. Consequently, brand characters can be quite useful for creating brand awareness. Brand characters can help brand break through the market place clutter as well as help to communicate a key product benefits. Perhaps a more common image enhancement is related to brand personality and just the sheer likability of the brand. The human element of brand characters can help to create perceptions of the brand as being fun, interesting, and so forth.

Slogans: slogans are short phrases that communicate descriptive or persuasive information about the brand. Slogans often appear in advertising but can play an important role on packaging and in other aspects of the marketing program. Slogans are powerful branding devices because, like brand names, they are extremely efficient, shorthand means to build brand equity. Slogans can function as useful "hooks" or "handles" to help consumers grasp the meaning of a brand in terms of what the brand is and what makes is special. They are indispensable means of summarizing and translating the intent of a marketing program in a few short words or phrases.

Jingles: jingles are musical messages written around the brand. Typically composed by professional songwriters, they often have enough catchy hooks and choruses to become almost permanently registered in the mind of listeners – sometimes whether they want them to or not! Jingles can communicate brand benefits, but they often convey product meaning in a nondirect and fairly abstract fashion given their musical foundation. The potential associations that might occur for the brand from jingles are probably most likely to relate to feelings and personality and other such intangibles. Jingles are perhaps most valuable in terms of enhancing brand awareness. Often, the jingle will repeat the brand name in clever and amusing ways that allow consumers multiple encoding opportunities. Because of their catchy nature, consumers are also likely to mentally rehearse or repeat the jingle even after seeing or hearing the ad, providing even additional encoding opportunities and increasing memorability.

Packaging: packaging involves the activities of designing and producing containers or wrappers for a product. To achieve the marketing objectives for the brand and satisfy the desires of consumers, the aesthetic and functional components of packaging must be chosen correctly. Aesthetic considerations relate to a packaging's size and shape, material, color, text, and graphics. Innovations in printing process now permit eye-catching and appealing graphics that convey elaborate and colorful messages on the package at the "moment of truth" at the point of purchase.[12] Functionally, structural design is crucial. For example, packaging innovations with food products over the years have resulted in packages being tamperproof and more convenient to use.

Packaging can have important brand equity benefits for a company. Often, one of the strongest associations that consumers have with a brand relates to the look of its packaging. For example, if you ask the average consumer what come to mind when they think of Heineken beer, a common response is "green bottle." The package appearance can become an important means of brand recognition. Moreover, the information conveyed or inferred from package can build or reinforce brand associations. Structural packaging innovations can create a point of difference that permits a higher margin. New packages can also expand a market and capture new market segments.

4.1.3 Putting It All Together

Each brand element has strengths and weaknesses. Thus, marketers must "mix" brand elements by choosing different brand elements to achieve different objectives. At the same time, marketers must "match" brand elements by making sure that certain brand elements are chosen to reinforce each other by sharing meaning. Figure 2.1 displays strengths and weaknesses of brand elements options.

Figure 4.1: Critiques of Brand Element Options

[12] Raymond Sefarin, ''Packaging Becomes an Art,'' Advertising Age, 12 August 1985, 66.

Criterion	Brand Element: Brand Names and URLs	Logos and Symbols	Characters	Slogans and Jingles	Packaging and Signage
Memorability	Can be chosen to enhance brand recall and recognition	Generally more useful for brand recognition	Generally more useful for brand recognition	Can be chosen to enhance brand recall and recognition	Generally more useful for brand recognition
Meaningfulness	Can reinforce almost any type of association, although sometimes only indirectly	Can reinforce almost any type of association, although sometimes only indirectly	Generally more useful for non-product related imagery and brand personality	Can convey almost any type of association explicitly	Can convey almost any type of association explicitly
Likability	Can evoke much verbal imagery	Can provoke visual appeal	Can generate human qualities	Can evoke much verbal imagery	Can combine visual and verbal appeal
Transferability	Can be somewhat limited	Excellent	Can be somewhat limited	Can be somewhat limited	Good
Adaptability	Difficult	Can typically be redesigned	Can sometimes be redesigned	Can be modified	Can typically be redesigned
Protectability	Generally good, but with limits	Excellent	Excellent	Excellent	Can be closely copied

4.2 Designing Marketing Programs to Build Brand Equity

4.2.1 Personalized Marketing as a new perspective

The rapid expansion of the Internet has brought the need for personalized marketing into sharp focus. Many maintain that the new economy celebrates the power of the individual consumer. [13]According to one writer," the worry for big brand owners is that this (individualism) is leading to a fragmentation of brands as people try to express their individuality by moving away from the mass market."[14]

To adapt to the increased consumer desire for and competitive forces impelling toward personalization, marketers are embracing concepts such as experiential marketing, one-to-one marketing, and permission marketing.

[13] Christopher Locke, Rick Levine, Doc Searls, and David Weinberger, The Cluetrain Manifesto: The End of Business as Usual (Cambridge, MA: Perseus Press, 2000).
[14] Richard Tomkins, ''Fallen Icons,'' Financial Times, 1 February 2000.

Experiential Marketing: It helps to promote a product by not only communicating a product's features and benefits but also connecting it with unique and interesting experiences. One marketing commentator describes experiential marketing by writing, "the idea is not to sell something, but to demonstrate how a brand can enrich a customer's life."[15]

One-to-One Marketing: Don Peppers and Martha Rogers have popularized the concept of one-to-one marketing.[16] The basic rationale of one-to-one marketing is that consumers help to add value by providing information to marketers; marketers add value, in turn, by taking that information and generating rewarding experiences for consumers. In doing so, the firm is able to create switching costs, reduce transaction costs, and maximize utility for consumers, all helping to build strong, profitable relationships. One-to-one marketing is thus based on several fundamental concepts:

- **Focus on individual consumers through consumer databases – "we single out consumers."**
- **Respond to consumer dialogue via interactivity – "the consumer talks to us."**
- **Customize products and services – "we make something unique for him or her."**

Permission Marketing: A pioneer on the topic, Seth Godin, estimates that each American receives about 3.000 marketing messages daily.[17] He maintains that marketers can no longer employ "interruption marketing" in terms of mass media campaigns featuring magazines, direct mail, billboards, radio and television commercials and the like, because consumers have come to expect – but not necessarily appreciate these – interruptions. By contrast, Godin asserts, consumers appreciate receiving marketing messages they gave permission for. "The worse the clutter gets, the more profitable your permission marketing efforts become."

Generally speaking, One-to-one, permission, and experiential marketing are all potentially effective means of getting consumers more actively involved with a brand. According to the CBBE Model, however, the different approaches emphasize different aspects of brand equity. For example, one-to-one and permission marketing can be seen as particularly effective at creating stronger behavioral loyalty and attitudinal attachment. Experiential marketing, on the other hand, would seem to be particularly effective at establishing brand imagery and tapping into a variety of different feelings as well as helping to build brand communities. Despites potentially different areas of emphasis, all three approaches can be seen as a means of building stronger consumer-brand bonds.

4.2.2 Product Strategy

[15] Peter Post, ''Beyond Brand – The Power of Experience Branding,'' ANA/The Advertiser, October/November 2OOO.

[16] Don Peppers and Martha Rogers, The One to One Feature: Building Relationships One Customer at a Time (New York: Doubleday, 1997); Don Peppers and Martha Rogers, Enterprise One to One: Tools for Competing in the Interactive Age (New York: Doubleday, 1999); Don Peppers and Martha Rogers, The One to One Fieldbook: the Complete Toolkit for Implementing a 1 to 1 Marketing Program (New York: Doubleday, 1999).

[17] Seth Godin, Permission Marketing: Turning Strangers into Friends, and Friends into Customers (New York: Simon & Schuster, 1999).

The product itself is at the heart of brand equity because it is the primary influence on what consumers experience with a brand, what they hear about a brand from others, and what the firm can tell customers about the brand in their communications. In other words, at the heart of a great brand is invariably a great product. Designing and delivering a product or service that fully satisfies consumer needs and wants is a prerequisite for successful marketing. Regardless of whether the product is a tangible good, service, or organization. To create brand loyalty, consumers' experiences with the product must at least meet, if not actually surpass, their expectations. This section considers two topics: how consumers form their opinions of the quality and value of a product, and the importance of taking a broad perspective through relationship marketing in formulating product strategy offerings.

Perceived quality: It has been defined as customers' perception of the overall quality or superiority of a product or service relative to relevant alternatives and with respect to its intended purpose. Thus perceived quality is a global assessment based on customer perceptions of what constitutes a quality product and how well the brand rate on those dimensions. Achieving a satisfactory level of perceived quality has become more difficult as continual product improvements over the years have led to heightened consumer expectations regarding the quality of products.[18]

Much research attention has been devoted to understanding how consumers form their opinions about perceived quality. The specific attributes or benefits that become associated with favorable evaluations and perceptions of product quality can vary from category to category. Nevertheless, consistent with the CBBE model, prior research has identified the following general dimensions of product quality.[19]

- **Performance:** Levels at which the primary characteristics of the product operate (e.g., low, medium, high, or very high)
- **Features:** Secondary elements of a product that complement the primary characteristics
- **Conformance quality:** Degree to which the product meets specifications and is absent of defects
- **Reliability:** Consistency of performance over time and form purchase to purchase
- **Durability:** Expected Economic life of the product
- **Serviceability:** Ease of servicing the product
- **Style and design:** Appearance or feel of quality

Product quality depends not only on functional performance but on broader performance considerations as well. For example, product quality may also be affected by factors such as speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; and the quality of repair service. It depends also on more abstract imagery such as the symbolism or personality reflected in the brand. These "augmented" aspects of a product are often crucial to its equity.

[18] Stratford Sherman, ''How to Prosper in the Value Decade,'' Fortune, 30 November 1992,91
[19] David Garvin, ''Product Quality: An Important Strategic Weapon,'' Business Horizons 27(May – June 1985) : 40 – 43; Philip Kotler, Marketing Management, 10th ed. (Upper Saddle River, NJ: Prentice-Hall, 2000).

Thus, to build brand equity, marketing model offers suggestions as to how firms can go beyond mere functional considerations.

Total Quality Management (TQM): it has been embraced by a number of firms to direct their efforts to maximize the quality of their products. TQM principles have provided some useful structure and guidance to marketing managers interested in improving product quality.

Return on Quality (ROQ): Adherents of ROQ advocate improving quality only on those dimensions that produce tangible customer benefits, lower costs, or increased sales.[20] This bottom-line orientation forces companies to make sure that the quality of the product offerings is in fact the quality consumers actually want.

Value Chain: From a firm's perspective, it is therefore necessary to take a broad view of value creation. Harvard's Michael Porter has proposed the value chain as a strategic tool for identifying ways to create more customer value.[21] He views firms as a collection of activities that are performed to design, produce, market, deliver, and support products. The value chain identifies five primary value-creating activities (inbound logistics, operations, outbound logistics, marketing and sales, and service) and four support activities that occur throughout these primary activities (firm infrastructure, human resources management, technology development, and procurement). According to Porter, firms can achieve competitive advantages by improving performance and reducing costs in any or all of these value-creating activities. He also emphasizes the importance of effectively managing core business processes and cross-functional integration and cooperation. Porter notes how firms can create competitive advantages by partnering with other members of the chain value (e.g., suppliers as well as distributors) to improve the performance of the customer value-delivery system.

Relationship Marketing: Product strategies must therefore transcend the actual product or service to create stronger bonds with consumers and maximize brand resonance. This broader set of activities is sometimes called relationship marketing. With relationship marketing, marketers attempt to transcend the simple purchase exchange process with consumers to make more meaningful and richer contacts. Relationship marketing attempts to provide a more holistic, personalized brand experience to create stronger consumer ties. In other words, relationship marketing attempts to expand both depth and breadth of brand-building marketing programs. The new approach to marketing reviewed earlier (experiential, permission, and one-to-one marketing) can all be seen as a means of creating stronger consumer-brand relationships. This section considers three important relationship marketing issues: mass customization, aftermarketing, and loyalty programs.

- *Mass Customization:* the concept behind mass customization, namely, making products to fit the customer's exact specifications, is an old one, but the advent of digital-age technology enables companies to offer customized products on a previously unheard-of-scale. Via the Internet, Customers ca, communicate their preferences directly to the manufacturer, who can, by using a sophisticated production line, assemble the product for a price to that of non-customized item. Mass customization enables consumers to

[20] David Creising, ‘‘ Quality: How to Make It Pay,’’ Business Week, 8 August 1994, 54-59 ; Roland T. Rust, Anthony J. Zahorik, and Timothy L. keiningham, ‘’Return On Quality (ROQ): Making Service Quality Financially Accountable,’’ MSI Report 94-106 (Cambridge, MA: Marketing Science Institute, 1994).
[21] Michael E. Porter, Competitive Advantage (New York: Free Press, 1985).

distinguish themselves with even basic purchases. Customization addresses the need for individuality.

- *Aftermarketing:* One notable trend in marketing is the growing importance of aftermarketing, that is, those marketing activities that occur after customer purchase. For example, employing video, CD-ROM, or computer diskette to describe both what the product potentially can do for consumers and how consumers can realize these product benefits.

- *Loyalty programs:* loyalty or frequency programs have become one popular means by which marketers can create stronger ties to customers.[22] The purpose of frequency marketing has been defined as "identifying, maintaining, and increasing the yield form a firm's 'best' customers through long-term, interactive, value added relationship." Firms in all different kinds of industries – most notably in the airline industry – have established loyalty programs trough different mixtures of specialized services, newsletters, premiums, and incentives.

4.2.3 Pricing Strategy

Price is the one revenue-generating element of the traditional marketing mix, and price premiums are one of the most important brand equity benefits of creating brand awareness and strong, favorable, and unique associations. Choosing a pricing strategy to build brand equity involves determining the following:

- A method or approach for how current prices will be set

- A policy or set of guidelines for the depth and duration of promotions and discounts over time

There are many different approaches to setting prices that depend on a number of considerations. However, many companies now are employing a value-pricing approach to set prices and an everyday-low-pricing approach to determine their discount pricing policy over time.

Value pricing: the objective of value pricing is to uncover the right blend of product quality, product costs, and product prices that fully satisfies the needs and wants of consumers and the profit targets of the firm. In general, an effective value-pricing strategy should strike the proper balance among the following:

- **Product design and delivery:** Product value can be enhanced through many types of well conceived and executed marketing programs. Proponents of value pricing point out that the concept does not mean selling stripped-down versions of products at lower prices. **Consumers are willing to pay premiums when they perceive added value in products and services.**

- **Products costs:** Another key to a successful value-pricing strategy is to lower costs as much as possible. Meeting cost targets invariably requires additional cost savings through

[22] ''Loyal, My Brand, to Thee,'' Promo, 1 October 1997; Arthur Middleton Hughes, ''How Safeway Built Loyalty – Especially among Second-Tier Customers,'' Target Marketing, 1 March 1999; Laura Bly, "Frequent Fliers Fuel a Global Currency," USA Today, 27 April 2001.

productivity gains, outsourcing, material substitution, product reformulations, process changes (automation or other factory improvements), and so on.[23]

- **Products prices:** the final key to a successful value-pricing strategy is to understand exactly how much value consumers perceive in the brand and thus to what extent they will pay a premium over product costs. A number of techniques are available to estimate these consumer value perceptions. Perhaps the most straightforward approach involves directly asking consumers their perceptions of price and value in different ways.

Everyday Low Pricing: Everyday low pricing (EDLP) has received increased attention as a means of determining the nature of price discounts and promotions over time. EDPL eschews the saw-tooth, whiplash pattern of alternating price increases and decreases or discounts in favor of establishing a more consistent set of "everyday" base prices on products. In many cases, these EDPL prices are based on the value-pricing considerations noted previously.

4.2.4 Channel strategy

The manner by which a product is sold or distributed can have a profound impact on resulting equity and ultimate sales success of a brand. Marketing channels are defined as "sets of interdependent organizations involved in the process of making a product or service available for use or consumption." [24]

Indirect channels: Although indirect channels can consist of a number of different types of intermediaries, this discussion concentrates on retailers. Retailers tend to have the most visible and direct contact with customers and therefore have the greatest opportunity to affect brand equity. Consumers may have associations to any one retailer on the basis of a number of factors, such as the retailer's product assortment, pricing and credit policy, and quality of service. Through the products and brands they stock, the means by which they sell, and so on, retailers strive to create own brand equity by establishing awareness and strong, favorable, and unique associations. At the same time, retailers can have a profound influence on the equity of the brands they sell, especially in terms of the brand-related services that can support or help to create. Manufacturers must take an active role in helping retailers to care of their brands. Moreover, retailers have thus increased their power over manufacturers because of the competition for shelf space. They are now in a better position to set the terms of trade with manufacturers. Only one way for manufacturers to regain some of their lost power is by creating strong brands through some of the brand-building tactics. For example, selling innovative and unique product – properly priced and advertised – that consumers demand. In this way, consumers may ask or even pressure retailers to stock and promote manufacturers' products. By devoting marketing efforts to the end consumer, a manufacturer is said to employ a pull strategy, since consumers use their buying power and influence on retailers to "pull" the product through the channel. Alternatively, marketers can devote their selling efforts to the channel members themselves, providing direct incentives for them to stock and sell products to the end consumer. This approach is called a push strategy, since the manufacturer is attempting to reach the consumer by "pushing" the product through each step of the distribution chain.

---

[23] Allan J. Magrath, ''Eight Timeless Truths about Pricing,'' Sales & Marketing Management (October 1989) : 78-84

[24] Kotler Marketing Management, 10th ed.

Direct channels: To gain control over the selling process and build stronger relationships with customers, some manufacturers are introducing their own retail outlets, as well as selling their product directly to customers through various means. These channels can take many forms. The most extensive form involves company-owned stores. Company stores are a means to showcase the brand and all of its different varieties in a manner not easily achieved through normal retail channels. Firms keep their fingers on the pulse of consumers' shopping habits. Moreover, some marketers are attempting to create their own shops within major department stores. These approaches can offer the desirable dual benefits of appeasing retailers – and perhaps even benefiting from the retailer's brand image – while at the same time allowing the firm to retrain control over the design and implementation of the product presentation at the point of purchase. Finally another channel option is to sell directly to consumers via phone, mail, or electronic means.

Web strategies: Recognizing the power of integrated channels, many Internet-based companies are engaging in "physical world" activities to boost their brand. For example, Yahoo! opened a promotional store in New York's Rockefeller Center. Integrated channels allow consumers to shop when and how they want. For example, one research study suggested that nearly 50 percent of the most sophisticated shoppers found items they wanted online but purchased them in stores.[25]

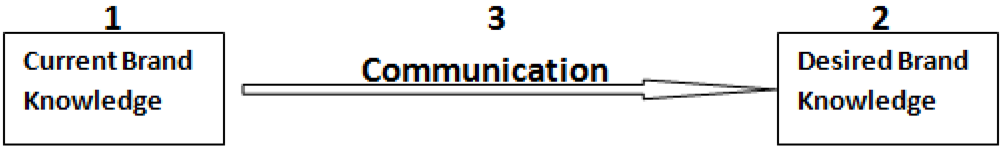
4.3 Integrating Marketing Communications to Build Brand Equity

Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers – directly or indirectly – about the brands that they sell. In a sense, marketing communications represent the voice of the brand and are a means by which the brand can establish a dialogue, build relationship with consumers, and contribute to brand equity.

Thus, the simplest – but most useful way – to judge advertising or any other communication options is by its ability to achieve the desired brand knowledge structures and elicit the differential response that makes up brand equity. Figure 4.2 displays a simple three-step model for judging the effectiveness of any marketing communication option to build brand equity.

FIGURE 4.2: Simple Test for Marketing Communication Effectiveness

[25] Don Peppers and Martha Rogers, '' The 'Store' Is Everything,'' Business 2.0,6 February 2001, 72.



1.what is your current brand knowledge? Have you created a detailed mental map?
2. What is your desired brand knowledge? Have you defined optimal points of parity and points of difference and brand values?
3. How does the communication option help the brand get from current to desired knowledge with consumers?

4.3.1 Overview of Marketing Communication options

Advertising: Advertising can be defined as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertising plays an important and often controversial role in contributing to brand equity. Although advertising is recognized as a powerful means of creating strong, favorable, and unique brand associations and eliciting positive judgments and feeling, it's controversial because the specific effects of advertising are often difficult to quantify and predict. Figure 4.3 summarize the advantages and disadvantages of the main advertising media.

FIGURE 4.3: Advertising Media Characteristics

Medium	advantages	Disadvantages
Television	Mass coverage	Low selectivity
	High reach	Short message life
	Impact of sight, sound, and motion	High absolute costs
	High prestige	High production costs
	Low cost per exposure	Clutter
	Attention getting	
	Favorable image	
Radio	Local coverage	Audio only
	Low cost	clutter
	High frequency	Low attention-getting capabilities
	Flexible	Fleeting message
	Low production costs	
	Well-segmented audiences	
Magazines	Segmentation potential	Long lead time for ad placement
	Quality reproduction	Visual only
	high information content	lack of flexibility
	longevity	
	Multiple readers	
Newspapers	High coverage	Short life
	Low cost	Clutter
	Short lead time for placing ads	Low attention-getting capabilities
	Ads can be placed in interest sections	Poor reproduction quality
	Timely (current ads)	Selective reader exposure
	Reader controls exposure can be used for coupons	
Direct response	High selectivity	High cost per contact
	Reader controls exposure	Poor image (junk mail)
	High information content	Clutter
	Opportunities for repeat exposures	
Interactive	Customized and personalized	Nonobtrusive
	In-depth information	Often leeks emotionally
	can be engaging	
Outdoor	Location specific	Short exposure time requires short ad
	high repetition	Poor image
	Easily noticed	Local restrictions

Source: Reprinted from George E. Belch and Michael A. Belch, Introduction to Advertisement and Promotion, 3rd ed. (Homewood, IL: Irwin, 1995).

In designing and evaluating and ad campaign, it's important to distinguish the message strategy or positioning of an ad (i.e., what the ad attempts to convey about the brand) from its creative strategy (i.e., how the ad expresses the brand claims). Designing effective advertising campaigns is both an art and a science.

Promotion: Sales promotions can be defined as short-term incentives to encourage trial or usage of a product or service.[26] Sales promotions can be targeted at either the trade or at end consumers. Like advertising, sales promotions come in all forms. Whereas advertising typically provides consumers a reason to buy, sales promotions offer consumers an incentive to buy. Thus, sales promotions are designed to do the following:

- Change the behavior of the trade so that they carry the brand and actively support it.
- Change the behavior of consumers so that they buy a brand for the first time, buy more of the brand, or buy the brand earlier or more often

There clearly are advantages to sales promotions. Consumer sales promotions permit manufacturers to price discriminate by effectively changing different prices to groups of consumers who vary in their price sensitivity. Besides conveying a sense of urgency to consumers, carefully designed promotions can build brand equity through information conveyed or actual product experience that helps to create strong, favorable and unique associations. Sales promotions can encourage the trade to maintain full stocks and actively support the manufacturer's merchandizing efforts.

On the other hand, from a consumer behavior perspective, there are a number of disadvantages of sales promotions, such as decreased Brand loyalty and increased brand switching, as well as decreased quality perceptions and increased price sensitivity. Besides inhibiting the use of franchise-building advertising or other communications, diverting marketing funds into coupons or other sales promotion sometimes led to some reductions in research and development budgets and staff. Perhaps most important, the widespread discounting arising from trade promotions may have led to the increased importance of price as a factor in consumer decisions, breaking down traditional loyalty patterns.

Consumer Promotions: consumer promotions are designed to change the choices, quantity, or timing of consumers' product purchases. Although consumer sales promotions come in all forms, a distinction has been made between customer franchise building promotions (e.g., samples, demonstrations, and educational material) and non-customer franchise building promotions (e.g., price-off packs, premiums, sweepstakes, and refund offers). [27]Customer franchise building promotions are promotions that are seen as enhancing the attitudes and loyalty of consumers toward a brand.

Trade Promotions: trade promotions often come in the form of financial incentives or discounts given to retailers, distributors, and other members of the trade to stock, display, and facilitate in other ways the sale of a product (e.g., through slotting allowances, point-of-purchase displays, contests and dealer incentives, training programs, trade shows, and cooperative advertising). Trade promotions are typically designed to both secure shelf space and distribution for a new brand or to achieve more prominence on the shelf and in the store. Shelf and Aisle positions in the store are important because they affect the ability of the brand to catch the eye of the consumer and increase sales.

Event Marketing and Sponsorship: Event marketing refers to public sponsorship of events or activities related to sports, art, entertainment, or social causes. Event sponsorship provides a

[26] ‘’ Banner-Ad Blues,’’ The Economist, 24 February 2001, 63-64.
[27] Michael L. Ray, Advertising and Communication Management (Upper Saddle River, NJ : Prentice-Hall, 1982).

different kind of communication option for marketers. By becoming part f a special and personally relevant moment in consumer's lives, sponsors' involvement with events can broaden and deepen their relationship with their target market. Marketers report a number of reasons why they sponsor events:

- To identify with a particular target market or lifestyle
- To increase awareness of the company or product name
- To create or reinforce consumer perceptions of key brand image associations
- To enhance corporate image dimensions
- To create experiences and evokes feelings
- To express commitment to the community
- To entertain key clients or reward key employees
- To permit merchandising or promotional opportunities

Despite these potential advantages, there are a number of potential disadvantages to sponsorship. The success of an event can be unpredictable and out of the control of the sponsor. There can be much clutter in sponsorship. Finally, some consumers may resent the commercialization of events through sponsorship.

Public Relations and Publicity: Public relations and publicity relate to a variety of programs and are designed to promote or to protect a company's image or its individual products. Publicity refers to non-personal communications such as press releases, media interviews, press conferences, feature articles, newsletters, photographs, films, and tapes. Public relations may also involve such things as annual reports, fund-raising and membership drives, lobbying, special event management, and public affairs.

Marketers now recognize that although public relations are invaluable during a marketing crisis, it also needs to be a routine part of any marketing communications program.

Personal selling: personal selling involves face-to-face interaction with one or more prospective purchases for the purpose of making sales. Personal selling represents a communication option with pros and cons almost exactly the opposite of advertising.

4.3.2 Developing Integrated Marketing Communication Programs

Marketers should "mix and match" communication options to build brand equity – that is, choose a variety of different communication options that share common but also offer different, complementary advantages.

Mixing Communication Options: From the perspective of customer-based brand equity, marketers should evaluate all possible communication options available to create knowledge structures according to effectiveness criteria as well as cost considerations. This broad view of brand-building activities is especially relevant when considering marketing communication strategies to improve brand awareness.

In making the final decision as to show much and what kinds of marketing communications are necessary, economic theory would suggest placing dollars into a marketing communication budget and across communication options according to marginal revenue and cost.

Matching Communication Options: there are many ways to create IMC programs. A number of considerations come into play when holistically evaluating an IMC program, that is, when considering responses to a set of communications across a group of consumers. this discussion assumes that the marketer has already thoroughly researched the target market and fully understands who they are – their perception, attitudes, and behaviors – and therefore knows exactly what needs to be done with them in terms of communication objectives.

In assessing the collective impact of an IMC program, the overriding goal is to create the most effective and efficient communication program possible. Toward that goal, six relevant criteria can be identified:

1. **Coverage:** Coverage relates to the proportion of the audience that is reached by each communication option employed, as well as how much overlap exists among communication options.
2. **Contribution:** Contribution relates to the inherent ability of a marketing communication to create the desired response and communication option.
3. **Commonality:** Commonality relates to the extent to which common associations are reinforced across communication options, that is, is the extent to which information conveyed by different communication options shares meaning.
4. **Complementarily:** It relates to the extent to which different associations and linkages are emphasized across communication options.
5. **Versality:** It refers to the extent that a marketing communication option is robust and effective for different groups of consumers.
6. **Cost:** evaluations of marketing communications on all of the preceding criteria must be weight against their cost to arrive at the most effective and efficient communication program.

4.4 Leveraging Secondary Brand Knowledge to Build Brand Equity

Linking the brand to some other entity – some source factor or related person, place, or thing – may create a new set of associations from the brand to the entity as well as affect exciting brand associations. Both effects are discussed next.

4.4.1 Creation of New Brand Associations

By making a connection between the brand and another entity, consumers may form a mental association from the brand to this other entity and, consequently, to any or all associations, judgments, feelings, and the like linked to that entity. In general, this secondary brand knowledge is most likely to affect evaluations of a new product when consumers lack either the motivation or ability to judge product related concerns. In other words, when consumers either don't care much about choosing a particular brand or don't feel that they possess the knowledge to choose the appropriate brand, they may be more likely to make brand decisions on the basis of such secondary considerations as what they think, feel, or know about the country from which the product came, the store in which the product is sold, and so forth.

4.4.2 Effects on Existing Brand Knowledge

Linking the brand to some other entity may not only create new brand associations to the entity but may also affect existing brand associations. The basic mechanism involved with these indirect effects of leveraging secondary brand knowledge is as follows. Consumers have some knowledge of an entity (e.g., varying degrees of awareness, thoughts, feelings, images, beliefs, perceptions, opinions). When a brand is identified as being linked to that entity, consumers may infer that some of the particular associations, judgments, or feelings that characterize the entity may also characterize the brand.

4.4.3 Co-Branding Case

Co-branding – also called brand bundling or brand alliances – occurs when two or more existing brands are combined into a joint product or are marketed together in some fashion. Figure 4.4 Summarize the main advantages and disadvantages of co-branding.

Figure 4.4: Advantages and Disadvantages of Co-branding

Advantages
- Borrow needed expertise
- leverage equity you don't have
- Reduce cost of product introduction
- Expand brand meaning into related categories
  - Broaden meaning
  - Increase access points
- Source of additional revenue

Disadvantages
- Loss of control
- Risk of brand equity dilution
- Negative feedback effects
- Lack of brand focus and clarity
- Organizational distraction

To create a strong brand, it's important that both brands entering the agreement have adequate brand awareness; sufficiently strong, favorable, and unique associations; and positive consumer judgments and feelings. Thus, a necessary but not sufficient condition for co-branding success is that the two brands separately have some brand equity. The most important requirement is that there is a logical fit between two brands such that the combined brand or marketing activity maximizes the advantages of the individual brands while minimizing the disadvantages.

More generally, brand alliances, such as with co-branding, involve a number of decision factors, such as the following.

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

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

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

One of the highest-profile brand alliances is that of Disney and McDonald's which has the exclusive global rights for 10 years in the fast food industry to promote everything from Disney movies and videos to TV shows and theme parks. McDonald's has brand partnership with a number of brands, including Fisher-Price toys for its Happy Meals.

Conclusion

To conclude, the three major ways to build customer-based brand equity are: (1) To mix and match brand elements, (2) to develop marketing strategies that include product, pricing, channel, and communication policies, (3) Linking the brand to some other entity to enhance the competitive advantage. In the next part, we will discuss about measurement procedures to assess how well brands are doing.

Chapter 5

Measuring brands

Introduction

The ideal brand equity measurement system would provide complete, up-to-date, and relevant information on the brand and all its competitors to relevant decision makers within the organization. Introducing a brand equity measurement system requires two critical steps: designing a brand value chain and establishing a brand tracking studies system. This chapter examines these two steps in detail.

5.1 The brand value chain

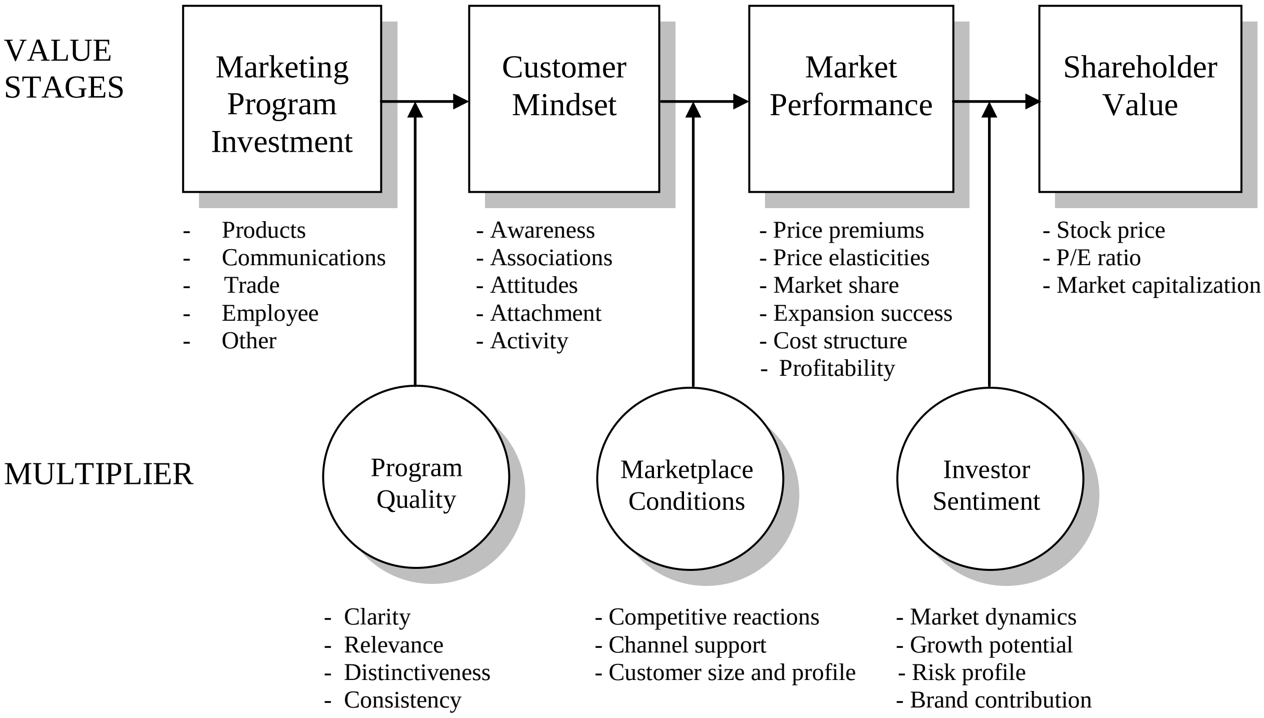
The brand value chain is a structured approach to assessing the sources and outcomes of brand equity and the manner by which marketing activities create brand value. The brand value chain recognizes that numerous individuals within an organization can potentially affect brand equity and must be cognizant of relevant branding effects. Different individuals, however, make different brand-related decisions and need different types of information. Accordingly, the brand value chain provides insights to support brand managers, chief marketing officers, and managing directors and chief executive officers.

The brand value chain has several basic premises. Fundamentally, it assumes that the value of a brand ultimately resides with customers. Based on this insight, the model next assumes that the brand value creation process begins when the firm invests in a marketing program targeting actual or potential customers. The marketing activity associated with the program then affects the customer mindset with respect to the brand – what customers know and feel about the brand. This mindset, across a broad group of customers, then results in certain outcomes for the brand in terms of how it performs in the marketplace – the collective impact of individual customer actions regarding how much and when they purchase, the price that they pay, and so forth.

Finally, the investment community considers this market performance and other factors such as replacement cost and purchase price in acquisitions to arrive at an assessment of shareholder value in general and a value of the brand in particular.

The model also assumes that a number of linking factors intervene between these stages. These linking factors determine the extent to which value created at one stage transfers or "multiplies" to the next stage. Three sets of multipliers moderate the transfer between the marketing program and the subsequent three value stages: the program multiplier, the customer multiplier, and the market multiplier. The brand value chain model is summarized in the following figure.

Figure 5.1: The Brand Value Chain [28]



Brand value creation begins with marketing activity by the firm that influences customers in a way affecting how the brand performs in the marketplace and thus how it is valued by the financial community.

5.1.1 Marketing Program Investment

Any marketing program investment that potentially can be attributed to brand value development, either intentional or not, falls into this first value stage. Specially, some of the bigger marketing expenditures relate to product research, development, and design; trade or intermediary support; and marketing communications (e.g., advertising, promotion, sponsorship, direct and interactive marketing, personal selling, publicity, and public relations). The extent of financial investment committed to the marketing program, however, does not guarantee success in terms of brand value creation. The ability of a marketing program investment to transfer of multiply farther down the chain will thus depend on quantitative aspects of the marketing program multiplier.

- **Program Multiplier**

The ability of the marketing program to affect the customer mindset will depend on the quality of that program investment. There are a number of different means to judge the

[28] Kevin Lane Keller and Don Lehmann, "The Brand Value Chain: Optimizing Strategic and Financial Brand Performance," working paper. Dartmouth College, 2002.

quality of a marketing program. Four particularly important factors are as follows:

- ✓ Clarity: how much clarity is evident in the marketing program? Do consumers properly interpret and evaluate the meaning conveyed by brand marketing?
- ✓ Relevance: how relevant is the marketing program to customers? Do consumers feel that the brand is one that should receive serious consideration?
- ✓ Distinctiveness: how unique or distinctive the program from those offered by competitors? How creative or differentiating the marketing program?
- ✓ Consistency: how consistent and well integrated is the marketing program? Do all aspects of the marketing program combine to create the biggest impact with customers? Does the marketing program relate effectively to past marketing programs and properly balance continuity and change, evolving the brand in the right direction?

Not surprisingly, a well-integrated marketing program that has been carefully designed and implemented to be highly relevant and unique to customers is likely to achieve a greater return on investment from marketing program expenditures.

5.1.2 Customer Mindset

The issue is, in what ways have customers been changed as a result of the marketing program? How have those changes manifested themselves in the customer mindset? The customer mindset includes everything that exists in the minds of the customers with respect to a brand: thoughts, feelings, experiences, images, perceptions, beliefs, attitudes and so forth.
A host of different approaches and measures are available to assess value at this stage. Nevertheless, five dimensions have emerged from prior research and are also highlighted in the CBBE model as particularly important measures of the customer mindset:

- ✓ Brand awareness: the extent and ease with customers recall and recognize the brand and can identify the products and services with which it is associated.
- ✓ Brand associations: the strength, favorability, and uniqueness of perceived attributes and benefits for the brand. Brand associations often represent key sources of brand value, because they are the means by which consumers feel brands satisfy their needs.
- ✓ Brand attitudes: overall evaluations of the brand in terms of its quality and satisfaction it generates.
- ✓ Brand attachment: how loyal the customer feels toward the brand. A strong form of attachment, adherence, refers to the consumer’s residence to change and the ability of a brand to withstand bad news (e.g., product or service failure). In the extreme, attachment can even become addiction.
- ✓ Brand activity: the extent to which customers use the brand, talk to others about the brand, seek out brand information, promotions, and events, and so on.

An obvious hierarchy exists in the dimensions of value: awareness supports associations, which drive attitudes that lead to attachment and creativity. Brand value is created at this stage when customers have a high level of awareness; strong, favorable, and unique brand associations; positive brand attitudes; intense brand attachment and loyalty; and a high degree of brand activity. Creating the right customer mindset can be critical in terms of building brand equity and value. Moreover, success with consumers or customers may not translate success in the marketplace unless other conditions also prevail. The ability of this customer mindset to create value at the next stage depends on external factors designated the customer multiplier, as follows.

- **Customer multiplier**
  The extent to which value created in the minds of customers affects market performance depends on various contextual factors external to the customer. Three such factors are as follows:

  - ✓ Competitive superiority: how effective are the quantity and quality of the marketing investment of other competing brands.

  - ✓ Channel and other intermediary support: how much brand reinforcement and selling effort is being put forth by various marketing partners

  - ✓ Customer size and profile: how many and what types of costumers (e.g., profitable or not) are attached to the brand.

The value created in the minds of customers will translate to favorable market performance when competitors fail to provide a significant threat, when channel members and other intermediaries provide strong supports, and when a sizable number of profitable customers are attached to the brand.

5.1.3 Market performance

As it was explained, the customer mindset affects how customers react or respond in the marketplace in a variety of ways. Six key outcomes of that response are as follows. The first two dimensions relate to price premiums and price elasticities. How much extra are customers willing to pay for a comparable product because of its brand? And how much does their demand increase or decrease when the price rises or falls? A third dimension is market share, which measures the success of marketing program to drive brand sales. Taken together, the first three dimensions determine the direct revenue stream attributable to the brand over time. Brand value is created with higher market shares, greater price premiums, and more elastic responses to price decreases and inelastic responses to price increases.

The fourth dimension is brand expansion, the success of the brand is supporting line and category extensions and new product launches into related categories. Thus, this dimension captures the ability to add enhancements to the revenue stream. The fifth dimension is cost structure or, more specifically, savings in terms of the ability to reduce marketing program expenditures because of the prevailing customer mindset. In other words, because customers already have favorable opinions and knowledge about a brand, any aspect of the marketing program is likely to be more effective for the same expenditure level; alternatively, the same level of effectiveness can be achieved at a lower cost because ads are more memorable, sales calls more productive, and so on. When combined, these five factors lead to brand profitability, the sixth dimension.

In short, brand value is created at this stage by building profitable sales volumes through a combination of these dimensions. The ability of the brand value created at this stage to reach the final stage in terms of stock market valuation again depends on external factors, this time according to the market multiplier.

- **Market Multiplier**

The extent to which the value engendered by the market performance of a brand is manifested in shareholder value depends on various contextual factors external to the brand itself. Financial analysts and investors consider a host of factors in arriving at their brand valuations and investment decisions. Among these considerations are the following:

- ✓ Market dynamics: what are the dynamics of the financial markets as a whole (e.g., interest rates, investor sentiment, or supply of capital)?
- ✓ Growth potential: what are the growth potentials or prospects of the brand and the industry in which it operates? For example, how helpful are the facilitating factors and how inhibiting are the hindering external factors that make up the firm's economic, social, physical, and legal environment?
- ✓ Risk profile: what is the risk profile for the brand? How vulnerable is the brand likely to be to those facilitating and inhibiting factors?
- ✓ Brand contribution: how important is the brand as part of the firm's brand portfolio and all the brands it has?

The value created in the marketplace for the brand is most likely to be fully reflected in shareholder value when the firm is operating in a healthy industry without serious environmental hindrances or barriers and when the brand contributes a significant portion of the firm's revenues and appears to have bright prospects.

5.1.4 Shareholder Value

Based on all available current and forecasted information about a brand as well as many other considerations, the financial marketplace then formulates opinions and makes various assessments that have very direct financial implications for the brand value. Three important indicators are the stock price, the price/earnings multiple, and overall market capitalization for the firm.

5.2 Brand Tracking Studies

The brand value chain provides a big picture perspective as to how brand equity or value can be created. Combined with the CBBE model, it provides guidance as to how to position a brand and how well the marketing has achieved that positioning. The concept of brand audits is a means to provide in-depth information and insights that are essential for setting long-term strategic direction for the brand. Brand audits thus are an invaluable guide in positioning a brand. In terms of more short-term tactical considerations, less-detailed brand-related information should be collected as a result of conducting ongoing tracking studies. Tracking studies involve information collected from consumers on a routine basis over time. Such studies typically employ quantitative measures to provide marketers with current information as to how their brands and marketing programs are performing on a number of key dimensions identified by the brand audit or other means. Trucking studies are a means of applying the brand value chain to understand where, how much, and in what ways brand value is being created, thus offering invaluable information about how well a positioning has been achieved.

Tracking studies play an important function for managers by providing consistent baseline information to facilitate their day-to-day decision making. As more marketing activity surrounds the brand (e.g., products are introduced as brand extensions, an increasing variety of communication options are incorporated into marketing communications programs supporting the brand, etc.), it becomes difficult and expensive to reach each action. Tracking studies provide valuable diagnostic insights into the collective effects of a host of marketing activities on the customer mindset, market outcomes, and perhaps even shareholder value. Regardless of how many changes are made in the marketing program over time, it is important to monitor the health of the brand and its equity so that proper adjustments can be made if necessary.

A number of issues must be addressed in implementing a brand equity tracking system. In the following points we will address what measures should be employed in tracking studies, how tracking studies should be implemented, and how tracking studies should be interpreted.

5.2.1 What to track

This section provides some general guidelines for tracking and considers several additional types of measures that may be usefully employed in tracking. In that spirit, it should be recognized that it is usually necessary to customize tracking surveys to address the specific issues faced by the brand or brands in question. To a great extent, each brand faces a unique situation that must be reflected in different types of questions in its tracking survey.

- **Product-Brand Tracking**

Tracking an individual branded product involves measuring brand awareness and image for the particular brand. In terms of brand awareness, both recall and recognition measures should be collected. In general, awareness measures should move from more general to more specific questions. Thus, it may make sense to first ask consumers what brands come to mind in certain situations, to next ask for recall of brands on the basis of various product category cues, and to then finish with tests of brand recognition (if necessary).

As with brand awareness, it is usually desirable that a range of more general to more specific measures be employed in brand tracking surveys to measure brand image, especially in terms of specific perceptions (i.e., what consumers think characterizes the brand) and evaluations (i.e., what the brands mean to consumers). A number of specific brand associations typically exist for the brand, depending on the richness of consumer knowledge structures, which could potentially be tracked over time.

The most important specific brand associations are those performance and imagery beliefs that serve as the basis of brand positioning in terms of key points of parity and points of difference with competitive brands, for example, attitudes and benefits such as convenience and ease of use. Certainly those specific brand associations that make up the potential sources of brand equity should be assessed on the basis of strength, favorability, and uniqueness in that order. Unless associations are strong enough that they are likely to be recalled, their favorability does not matter, and unless associations are sufficiently favorable to be considerations in marketing a decision, uniqueness does not matter. Ideally, measures of all three dimensions would be collected, but perhaps for only certain associations and only some of the time.

Given that brands often compete at the augmented level, it is important to measure all associations that may distinguish competing brands. Thus, measures of specific, “lower-level” brand associations should include all potential sources of brand equity (performance and imagery attributes and benefits). Because they often present key points of parity or points of difference, it is particularly important to track benefit associations. To better understand any changes in benefit beliefs for a brand, however, it may be necessary to also measure the corresponding attribute beliefs that underlie those benefits. In other words, changes in descriptive attribute beliefs may help to explain changes in more evaluative benefit beliefs for a brand.

In the same time it’s also important to track more general, “higher-level” judgments, feelings, and other outcome-related measures. After asking for their overall opinions, consumers can be asked if they have changed their attitudes, intensions, or behavior in recent weeks or months and, if so, why they did so.

- **Corporate or Family Brand Tracking**

In the case of a family or corporate brand, some additional questions may be warranted. Although many of these types of questions could be included in tracking studies for individual products for the brand, there may also be justification for tracking the corporate or family brand separately or concurrently (or both) with individual products. Besides the measures of corporate credibility identified before, other specific measures of corporate brand associations are possible, including some of the following:

- How well managed is the company?
- How easy is it to do business with the company?
- How concerned is the company with its customers?
- How approachable is the company?
- How accessible is the company?
- How much do you like doing business with the company?

The actual questions used should reflect the level and nature of experience that the particular group of respondents would be likely to have had with the company. When a brand is identified with multiple products, as with a corporate or family branding strategy, one important issue is which particular products the brand reminds consumers of. An important related consideration is which particular products are most influential in affecting consumer perceptions about the brand. To identify which products are most closely linked to the brand, consumers could be probed as to which products they associate with the brand on an unaided basis or an aided basis by listing sub-brand names. To better understand the dynamics between the brand and its corresponding products, consumers can be probed as to their relationship.

- **Global Tracking**

If tracking involves diverse geographic markets – especially if both developing and developed countries are involved – then it may be necessary to have a broader set of background measures to put the brand development in those markets in the right perspective. These brand context measures would presumably not need to be collected frequently, but could provide useful explanatory information.

Figure 5.2: Brand Context Measures [29]

Economic Indicators
Gross domestic product
Interest rates
Unemployment
Average wage
Disposable income
Home ownership and housing debt
Exchange rates, share markets, and balance of payment

Retail
Total spent in supermarkets
Change year to year
Growth in house brand

Technology
Computer at home
Modem
Access to and use of Internet
Phones
Mobile phones
Microwaves
Freezers
Television

Personal Attitudes and Values
Confidence
Security
Family
Environment
Traditional values
Foreigners vs. sovereignty

Media Indicators
Media consumption: total time spent watching TV, consuming other media
Advertising expenditure: total, by media and product category

Demographic Profile
Population profile: age, sex, income, household size
Geographic distribution
Ethnic and cultural profile

Other products and services
Transport: own car – how many
Best description of car
Motorbike
Home ownership or renting
Domestic trips overnight in last year
International trips in last two years

Attitude to Brands and Shopping
Buy on price
Like to buy new things
Country of origin or manufacture
Prefer to buy things that have been advertised
Importance or familiar brands

[29] John B. Frey, “Measuring Corporate Reputation and niversity, March 17, 1989).

5.2.2 How to Conduct Tracking Studies

One question with these tracking studies is, which elements of the brand should be used? In general, the brand name is always used in tracking, but it may also make sense to employ other brand elements, such as a logo or symbol, in probing brand structures, especially if these elements can play a visible and important role in the decision process. Conducting tracking studies also requires decisions in terms of who to track, as well as when and where to track.

- **Who to Track**

Tracking often concentrates on current customers, but it can also be informative to monitor nonusers of the brand or even of the product category as a whole (e.g., to suggest potential segmentation strategies). It often can be insightful to track those customers loyal to the brand versus those who are loyal to other brands or who switch among brands. Among current customers of the brand, it is often informative to distinguish between heavy and light users of the brand. Dividing up the market typically requires different questionnaires (or at least sections of a questionnaire) to better capture the specific issues with each segment.

- **When and where to track**

It is necessary to decide how frequently tracking information should be collected. One useful tracking approach for monitoring brand associations involves continuous tracking studies, in which information is collected from consumers on a continual basis over time. The advantage of continuous tracking is that it smoothes out aberrations or unusual marketing activities or events (e.g., a splashy new ad campaign or an unlikely occurrence in the marketing environment) to provide a more representative set of baseline measures.

There is a host of different ways to conduct these types of studies. The frequency of such tracking studies, in general, depends on the frequency of product purchase (durable goods are typically tracked less frequently because they are purchased less often) and on the consumer behavior and marketing activity in the product category. Many companies conduct a certain number of interviews of different consumers every week – or even every day – and assemble the results on a rolling or moving average basis for monthly or quarterly reports.

When the brand has more stable and enduring associations, tracking can be conducted on a less frequent basis. Nevertheless, even if it were the case that marketing of a brand may not appreciably change over time, it is still important to track brands because competitive entries can change consumer perceptions of the dynamics within the market.

Finally, on a global basis, it is important to recognize the stage of the product or brand life cycle in deciding on the frequency of tracking: opinions of consumers in mature markets may not change much, whereas emerging markets may shift quickly and perhaps in unpredictable ways.

5.2.3 How to Interpret Tracking Studies

For tracking measures to yield actionable insights and recommendations, they must be as reliable and sensitive as possible. One problem with many traditional measures of marketing phenomena is that they do not change much over time. Although this stability may reflect the fact that the underlying levels of brand awareness; the strength, favorability, and uniqueness of brand associations; the valence of brand judgments and feelings; and the intensity and activity of brand loyalty do not change much, in other cases it may be that one or more of those dimensions may have changed to some extent but that measures themselves are not sensitive enough to detect these more subtle shifts. To develop sensitive tracking measures, it may be necessary to phrase questions in a comparative (e.g., “compared to other brands, how much…”) or temporal (e.g., “compared to one month or one year ago, how much…”) manner.

Another challenge in interpreting tracking studies is to decide on appropriate cutoffs. For example, what is a sufficiently high level of brand awareness? When are brand associations sufficiently strong, favorable, and unique? How positive should brand judgments and feelings be? What are reasonable expectations for the amount of brand resonance? To some extent, these targets need to be driven by competitive considerations and the nature of the category. In some low-involvement categories, it may be difficult to carve out a distinct image, unlike higher involvement products (e.g., cars or computers). Along these lines, it may be important to allow for and monitor the number of respondents who indicate that they don’t know or have no response with respect to the brand tracking measures: the more of these types of answers that are evident, the less consumers would seem to care.

One of the most important tasks in conducting brand tracking studies is to identify the determinants of brand equity. Of the brand associations that potentially can serve as sources of brand equity, which ones actually influence consumer attitudes and behavior and create value for the brand? Marketers must identify the real value drivers for a brand – that is, those tangible and intangible points of difference that influence and determine consumers’ product and brand choices. Similarly, the marketing activities that have the most effective impact on brand knowledge need to be identified, especially with respect to consumer exposure to advertising and other communication mix elements. Carefully monitoring and relating key sources and outcome measures of brand equity should help to address these issues.

Conclusion

This chapter outlined a set of research procedures designed to provide timely, accurate, and actionable information for marketers regarding brands so that they can make the best possible tactical decisions in the short run as well as strategic decisions in the long run.

Chapter 6

Implementing branding strategies

Introduction

This chapter begins by describing two important strategic tools. The brand-product matrix and the brand hierarchy help to characterize and formulate branding strategies by defining various relationships among brands and products. Next, it suggests some guidelines as how to best design branding strategies. Finally, it considers a number of different issues in implementing branding strategies, including designing the brand hierarchy and the supporting marketing program.

6.1 The Brand-Product Matrix

To characterize the product and branding strategy of a firm, one useful tool is the brand-product matrix, a graphical representation of all the brands and products sold by the firm. The matrix has the brands of a firm as rows and the corresponding products as columns.

The rows of the matrix represent brand-product relationships and capture the brand extension strategy of the firm in terms of the number and nature of products sold under the firm's brands. A brand line consists of all products – original as well as line and category extensions – sold under a particular brand. Thus, a brand line would be one row of the matrix. As we will see next, a potential new product extension for a brand must be judged by how effectively it leverages existing brand equity from the parent brand to the new product, as well as how effectively the extension, in turn, contributes to the equity of the parent brand.

		Products			
		1	2	…	N
Brands	A				
	B				
	…				
	M				

Figure 6.1: Brand-Product matrix [30]

[30] Philip Kotler, *Marketing Management*, 11th ed.

The columns of the matrix, on the other hand, represent product-brand relationships and capture the brand portfolio strategy in terms of number and nature of brands to be marketed in each category. The brand portfolio is the set of all brands and brands line that a particular firm offers for ale to buyers in a particular category, thus, a brand portfolio would be one particular column of the matrix. Different brands may be designed and marketed to appeal to different market segments. A brand portfolio must be judged on its ability to collectively maximize brand equity: any one brand in the portfolio should not harm or decrease the equity of other brands in the portfolio. In other words, the optimal brand portfolio is one in which each brand maximizes equity in combination with all other brands in the portfolio.

One final set of definitions is useful. A product line is a group of products within a product category that closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same type of outlets, or fall within given price ranges. A product line may be composed of different brands or a single family brand or individual brand that has been line extended. A product mix (or product assortment) is the set of all product lines and items that a particular seller makes available to buyers. Thus product lines represent different sets of columns in the brand-product matrix that, in total, make up the product mix. A brand mix (or brand assortment) is the set of all brand lines that a particular seller makes available to buyers.

The branding strategy for a firm reflects the number and nature of common and distinctive brand elements applied to the different products sold by the firm. In other words, branding strategy involves deciding which brand names, logos, symbols, and so forth should be applied to which products and the nature of new and existing brand elements to be applied to new products. A branding strategy for a firm can be characterized according to its breadth (i.e., in terms of brand-product relationships and brand extension strategy) and its depth (i.e., in terms of product-brand relationships and the brand portfolio or mix). For example, a branding can be seen on both deep and broad if the firm has a large number of brands, many of which have been extended into various product categories.

6.1.1 Breadth of a Branding Strategy

The breadth of a branding strategy concerns the number and nature of different products linked to the brands sold by a firm. A number of considerations arise concerning the product mix and which products the firm should manufacture or sell. Strategic decisions have to be made concerning how many different product lines the company should carry (i.e., the breadth of the product mix), as well as how many variants should be offered in each product line (i.e., the depth of the product mix).

➢ **Breadth of Product Mix**

Lehmann and Winer provide an in-depth consideration of factors affecting product category attractiveness. [31] They note that three main sets of factors determine the inherent attractiveness of a product category, as follows:

---

[31] Donald R. Lehmann and Russell S. Winer, „Category Attractiveness Analysis“ (Chapter 4) in *Product Management* (Burr Ridge, IL: Irwin, 1994).

Figure 6.2: Category Attractiveness Criteria

Aggregate Market Factors
Market size
Market growth
Stage in product life cycle
Sales cyclicity
Seasonality
Profits
Category Factors
Threats of new entrants
Bargaining power of buyers
Bargaining power of suppliers
Current category rivalry
Pressures from substitutes
Category capacity
Environmental Factors
Technological
Political
Economic
Regulatory
Social

All of these factors relate in some way to consumers, completion, and the marketing environment and must be assessed to determine the inherent attractiveness of a product category or market. The ultimate decision for a firm to enter such markets, however, must also take into account fundamental considerations related to the firm's capabilities and abilities as well as its strategic objectives and goals.

- **Depth of Product Mix**

Once broad decision concerning appropriate product categories and markets in which to compete have been made, decisions concerning the optimal product line strategy must also be made. Product line analysis requires a clear understanding of the market and the cost interdependencies between products. Specifically, product line analysis involves examining the percentage of sales and profits contributed by each item or member in the product line. The ability of each item in the product line to withstand competition and address consumer needs also must be assessed.

At its simplest, a product line is too short if the manager can increase long-term profits by adding items; the line is too long if the manager can increase profits by dropping items. Increasing the length of the product line by adding new variants or items typically expands market coverage and therefore market share but also increases costs. From a branding perspective, longer product lines may decrease the consistency of the associated brand image if the same brand is used.

Given that the product policy has been set for a firm in terms of appropriate product categories and product lines, then the proper branding strategy must be decided upon in terms of which brand elements should be used for which products. Specifically, decisions must be made as to which products to attach to any one brand as well as how many brands to support in any one products category.

6.1.2 Depth of a branding strategy

The depth of a branding strategy concerns the number and nature of different brands marketed in the product class sold by a firm. But why might a firm have multiple brands in the same product category? The first reason relates to market coverage.

The main reason to adopt multiple brands is to pursue multiple market segments. These different market segments may be based on all types of considerations – different price segments, different channels of distribution, different geographic boundaries, and so forth.

In many cases, multiple brands have to be introduced by a firm because any one brand is not viewed equally favorably by all the different market segments that the firm would like to target.

Some other reasons for introducing multiple brands in a category include the following:
- ✓ To increase shelf presence and retailer dependence in the store
- ✓ To attract consumers seeking variety who may otherwise switch to another brand
- ✓ To increase internal competition within the firm
- ✓ To yield economies of scale in advertising, sales, merchandising, and physical distribution

In designing the optimal brand portfolio, marketers generally need to trade off market coverage and these other considerations with costs and profitability. In other words, any brand should be clearly differentiated and appealing to a sizable enough marketing segment to justify its marketing and production costs.

In general, the basic principle in designing a brand portfolio is to maximize market coverage so that no potential customers are being ignored, but to minimize brand overlap so that brands are not competing among themselves to gain the same customer’s approval. Each brand should have a distinct target market and positioning.

Besides these considerations, there are a number of specific roles that brands can play as part of a brand portfolio. The following figure summarizes some of the different functions and roles that brands might take.

Figure 6.3: Possible Special Roles of Brands in the Brand Portfolio[32]

1. To attract a particular market segment not currently being covered by other brands of the firm.
2. To serve as a flanker and protect flagship brands.
3. To serve as a cash cow and be milked for profits.
4. To serve as a low-end entry-level product to attract new customers to the brand franchise.
5. To serve as a high-end prestige product to add prestige and credibility to entire brand portfolio.
6. To increase shelf presence and retailer dependence in the store.
7. To attract consumers seeking variety who may otherwise have switched to another brand.
8. To increase internal competition within the firm.
9. To yield economies of scale in advertising, sales, merchandising, and physical distribution.

- **Flankers**

An increasingly important role for certain brands is as protective flanker or “fighter” brands. The purpose of flanker brands typically is to create stronger points of parity with competitors’ brands so that more important and more profitable flagship brands can retain their desired positioning. In particular, many firms are introducing discount brands as flanker brands to better compete with store brands and private labels and protect their higher-priced brand companions.

In designing these fighter brands, marketers must walk a fine line. Fighter brands must not be designed to be so attractive that they take sales away from their higher-priced comparison brands or referents. At the same time, if fighter brands are seen as connected to other brands in the portfolio in any way, then fighter brands must not be designed so cheaply that they reflect poorly on these other brands.

- **Cash Cows**

Some brands may be kept around despite dwindling sales because they still manage to hold on to a sufficient number of customers and maintain their profitability with virtually no marketing support. These “cash cows” can be effectively milked by capitalizing on their reservoir of existing brand equity.

- **Low-End Entry-Level or High-End Prestige Brands**

Many brands introduce line extensions or brand variants in a certain product category that vary in price and quality. These sub-brands leverage associations from other brands while distinguishing themselves on the basis of their price and quality dimensions. In this case, the end points of the brand line often play a specialized role.

[32] Kevin Lane Keller, *Strategic Brand Management*, Chapter 11.

The role of a relatively low-priced brand in the brand portfolio often may be to attract customers to the brand franchise. Retailers like to feature these traffic builders because they often are able to trade up customers to a higher-priced brand.
On the other hand, the role of a relatively high-priced brand in the brand family often is to add prestige and credibility to the entire brand portfolio.

In short, brands can play a number of different roles within the brand portfolio based on considerations related to customers, the competition, and the company. Brand may expand coverage, provide protection, extend an image, or fulfill a variety of other roles for the firm. In all brand portfolio decisions, the basic criteria are simple, even through their application can be quite complicated: each brand name product must have a well-defined role of what is supposed to do for the firm and, as such, a well-defined positioning as to what benefits or promises it offers consumers, as encapsulated in the associations that the company would like it to own or represent in customers' minds. In that way, brands can maximize coverage and minimize overlap and thus optimize the portfolio.

6.2 Brand hierarchy

A brand hierarchy is a means of summarizing the branding strategy by displaying the number and nature of common and distinctive brand elements across the firm's products, revealing the explicit ordering of brand elements. By capturing the potential branding relationships among the different products sold by the firm, a brand hierarchy is a useful means of graphically portraying a firm's branding strategy. Specifically, a brand hierarchy is based on the realization that a product can be branded in different ways depending on how many new and existing brand elements are used and how they are combined for any one product. Because certain brand elements are used to make more than one brand, a hierarchy can be constructed to represent how products are nested with other products because of their common brand elements may be shared by many products; other brand elements may be unique to certain products.

As with any hierarchy, moving from the top level to the bottom level typically involves more entries (in this case, more brands) at each succeeding level. There are different ways to define brand elements and levels of the hierarchy. The following figure displays a classification system developed by one of Europe's leading branding experts, Jean-Noel Kapferer:[33]

[33] Jean-Noel Kapferer, Strategic Brand Management (London: Kogan-Page, 1992).

Figure 6.4: Kapferer's Branding System

1. Product brand: assign an exclusive name to a single product to accord the brand its own individual positioning (e.g., Procter & Gamble's Ariel, Tide, and Dash laundry detergents)
2. Line brand: extend the specific concept across different products, allowing for cross-branding (e.g., Renault automobiles)
3. Range brand: bestow a single name and promise on a group of products having the same ability (e.g., Green Giant foods)
4. Umbrella brand: support products in markets, each with its own communication and individual promise (e.g., Canon cameras, photocopiers, and office equipment)
5. Source brand: similar to an umbrella brand, but the products are directly named (e.g., Yves Saint Laurent with Jazz perfumed deodorant and various brands of clothes)
6. Endorsing brand: Give approval to a wide diversity of products grouped under product brands line brands, or range brands (e.g., General Motors cars)

Perhaps the simplest representation of possible brand elements and thus potential levels of a brand hierarchy – from top to bottom – might be as follows:

6.2.1 Corporate or company level

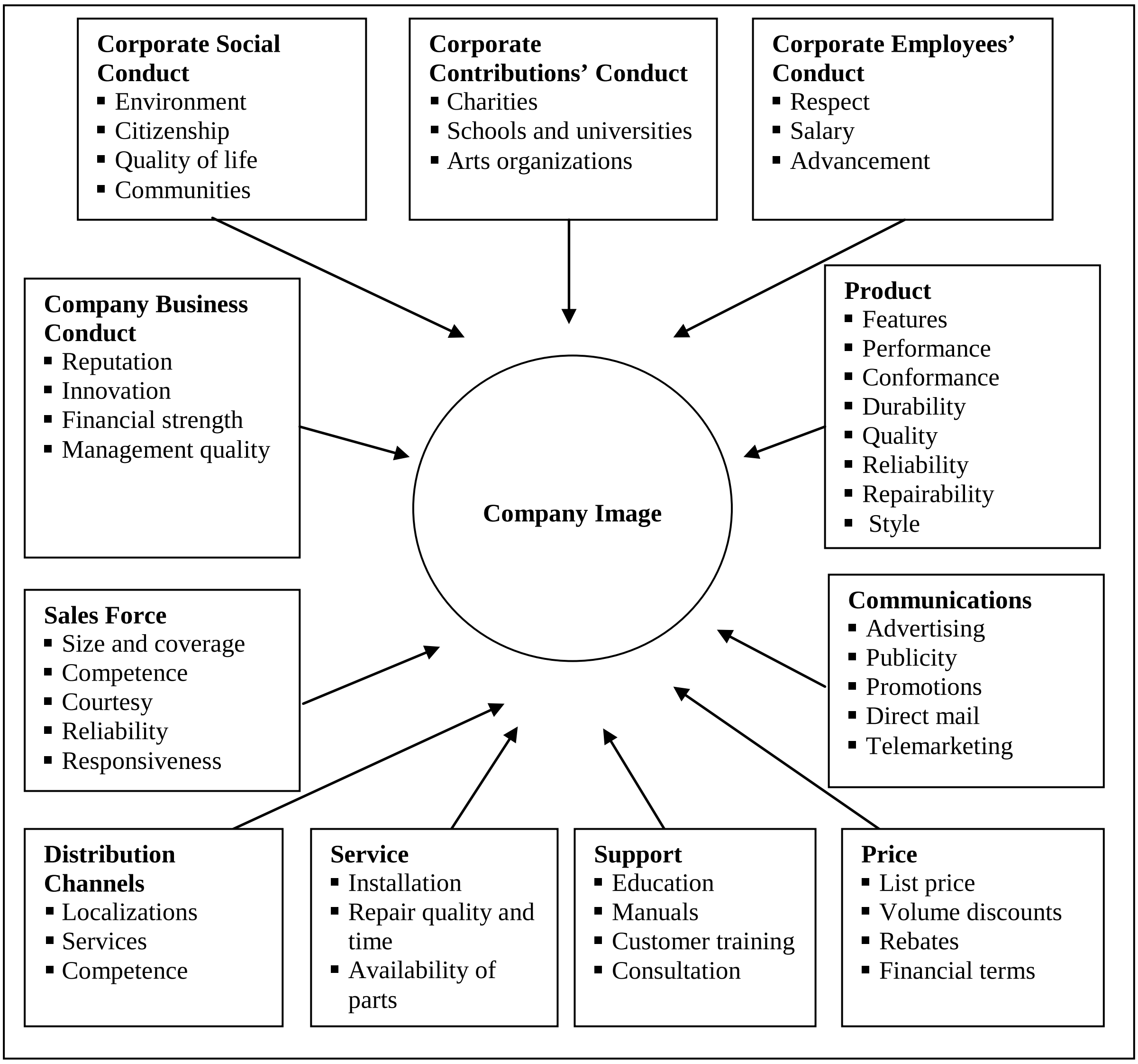
A corporate image can be thought of as the associations that consumers have in memory to the company or corporation making the product or providing the service as a whole. Corporate image is a particularly relevant concern when the corporate or company brand plays a prominent role in the branding strategy adopted.

Some marketers believe that a factor increasing in importance in consumer purchase decisions is consumer perceptions of a firm's whole role in society, for example, how a firm treats its employees, shareholders, local neighbours, and others.

The realization that consumers and others may be interested in issues beyond product characteristics and associations has prompted much marketing activity to establish the proper corporate image. A corporate image will depend on a number of factors, such as the products a company make, the actions it takes, and the manner in which it communicates to consumers. Barich and Kotler identify a host of specific determinants of company image in the following figure:[34]

[34] Howard Barich and Philip Kotler, "A Framework for Image Management," Sloan Management Review (Winter 1991).

Figure 6.5: Determinants of Corporate Image



Building and managing a strong corporate brand has additional requirements. For example, it necessitates that the firm keep a high public profile, especially in terms of influencing and shaping some of the more abstract types of associations. The chairman or managing director, if associated with a corporate brand, must be willing to maintain a more public profile to help to communicate news and information, as well as perhaps provide a symbol of current marketing activities. At the same time, by virtue of a more visible public profile, a firm must also be willing to be subject to more scrutiny and be more transparent in terms of its values, activities, and programs. Corporate brands thus have to be comfortable with a high level of openness.

6.2.2 Family brand level

Family brands may be used instead of corporate brands for several reasons. As products become more dissimilar, it may be harder for the corporate brand to be used and still retain any product meaning or to effectively link the disparate products. Distinct family brands, on the other hand, can be circumscribed to evoke a specific set of associations across a group of related products. As with corporate brands, these associations may relate to common product attributes, benefits, and attitudes and, perhaps to a lesser extent, people and relationships, programs and values, and corporate credibility.

Family brands thus can be an efficient means to link common associations to multiple, but distinct, products. The cost of introducing a related new product can be lower and the likelihood of acceptance can be higher when an existing family brand is used to brand a new product. On the other hand, if the product linked to the family brand and their supporting marketing programs are not carefully considered and designed, the associations to the family brand may become weaker and less favourable. Moreover, the failure of one product may have adverse ramifications on other products sold by the firm under the same brand by virtue of the common brand identification.

6.2.3 Individual brand level

Individual brands are restricted to essentially one product category, although there may be multiple product types offered on the basis of different models, package sizes, flavours, and so forth. The main advantage of creating individual brands is that the brand and all its supporting marketing activity can be customized to meet the needs of a specific customer group. Thus, the name, logo, and other brand elements, as well as product design, marketing communication programs, and pricing and distribution strategies, can all be designed to focus on a certain target market. Moreover, if the brand runs into difficulty or fails, the risk to other brands and the company itself is minimized. The disadvantages of creating individual brands, however, are difficulty, complexity, and expense involved in developing separate marketing programs to build sufficient levels of brand equity.

6.2.4 Modifier level

Regardless of whether corporate, family, or individual brands are employed, it is often necessary to further distinguish brands according to the different types of items or models involved. Adding a modifier often can signal refinements or differences in the brand related to factors such as quality levels, attributes, functions, and so forth. Brand modifiers can play an important organizing role in communicating how different products within a category that share the same brand name differ on one or more significant attribute or benefit dimensions. Thus, one of the uses of brand modifiers is to show how one brand variation relates to others in the same brand family. As such, brand modifiers play an important role in ensuring market coverage within a category for the company as a whole. Modifiers help to make products more understandable and relevant to consumers or even the trade.

6.3 Designing a branding strategy

Given the different possible levels of a branding hierarchy, a firm has a number of branding options available to it, depending on how each level is employed, if at all. There is n uniform agreement on the one type of branding strategy that should be adopted by all firms for all products.

It is important to note that the brand hierarchy may not be symmetric. Because of considerations related to corporate objectives, consumer behaviour, or competitive activity, there may sometimes be significant deviations in branding strategy and how the brand hierarchy is organized for different products or for different markets. Brand elements may receive more or less emphasis, or not be present at all, depending on the particular products and markets involved.

Brand elements at each level of the hierarchy may contribute to brand equity through their ability to create awareness as well as foster strong, favourable, and unique brand associations and positive responses. Therefore, the challenge is setting up the brand hierarchy and arriving at a branding strategy is to design proper brand hierarchy in terms of the number and nature of brand elements to use at each level and design the optimal supporting marketing program in terms of creating the desired amount of brand awareness and type of brand associations in each level. The following figure reviews the decisions related to designing a brand hierarchy and brand strategy:

Figure 6.6: Guidelines of brand hierarchy decisions [35]

1. Decide on the number of levels.
   - *Principle of specificity*: employ as few as possible.
2. Decide on the levels of awareness and types of associations to be created in each level.
   - *Principle of relevance*: create abstract associations that are relevant across as many individual items as possible.
   - *Principle of differentiation*: differentiate individual items and brands.
3. Decide to how to link brands from different levels for a product.
   - *Principle of prominence*: the relative prominence of brand elements affects perceptions of product distance and the type of image created for new products.
4. Decide on how to link a brand across products.
   - *Principle of commodity*: the more common elements shared by products, the stronger the linkage.

6.3.1 Number of levels of the brand hierarchy:

The first decision to make in defining a brand strategy is, broadly, which level or levels of the branding hierarchy should be used. In general, most firms choose to use more than one level for two main reasons. Each successive branding level that is used allows the firm to communicate additional, specific information about its products. Thus, developing brands at lower levels of the hierarchy allows the firm flexibility in communicating the uniqueness of its products. At the same time, developing brands at higher levels of the hierarchy such that the brand is applied across multiple products is obviously an economical means of communicating common or shared information and providing synergy across the company's operations, both internally and externally.

The practice of combining an existing brand with a new brand to brand a product is called sub-branding because the subordinate brand is a means of modifying the super-ordinate

[35] Kevin Lane Keller, Strategic Brand Management, (Chapter 11).

brand. Sub-branding often combines the company or family brand name with individual brands and even model types. A sub-brand, or hybrid branding, strategy offers two potential benefits in that it can both facilitate access to associations and attributes regarding the company or family brand as a whole and, in the same time, allow for the creation of specific brand beliefs.

The principle of simplicity is based on the need to provide the right amount of branding information to consumers. In general, the desired number of levels of the brand hierarchy depends on the complexity of the product line or product mix associated with a brand and thus the combination of shared and separate brand associations that the company would like to link to any one product in its product line or mix.

6.3.2 Desired awareness and image at each hierarchy level

Achieving the desired level of awareness and strength, favourability, and uniqueness of brand associations may take some time and involve a considerable change in consumer perceptions. Marketing programs must be carefully designed, implemented, and evaluated. Assuming some type of sub-branding strategy is adopted involving two or more brand levels, two general principles should guide the brand knowledge creation process at each level.

The principle of relevance is based on the advantages of efficiency and economy. In general, it is desirable to create associations that are relevant to as many brands nested at the level below as possible, especially at the corporate r family brand level. The more it is the case that an association has some value in the marketing or products sold by the firm the more efficient and economical it is consolidate this meaning into the brand that become linked to all these products.

The more abstract the association, in general, the more likely it is to be relevant in different product settings. Thus, benefit associations are likely to be extremely advantageous associations because they potentially can cut across many product categories.

The principle of differentiation is based on the disadvantages of redundancy. In general, it is desirable to distinguish brands at the same level as much as possible. If two brands cannot be easily distinguished, then it may be difficult for retailers or other channel members to justify supporting both brands. It may also be confusing for consumers to make choices between them.

6.3.3 Combining brand elements from different levels

When multiple brands are used, each brand element can vary in the relative emphasis it receives in the combined brand. The prominence of a brand element refers to its relative visibility compared with other brand elements. For example, the prominence of a brand name element depends on several factors, such as its order, size, and appearance, as well as its semantic associations. A name is generally more prominent when it appears first, is larger, and looks more distinctive.

Along the following lines, Edmund R. Gray and Larry R. Smeltzer define corporate/product relationships as the approach a firm follows in communicating the relationship of its products to one another and to the corporate entity. They identified five categories:

- *Single entity:* one product line or set of services is offered such that the image of the company and the product tend to be one and the same.
- *Brand dominance:* the strategic decision is made not to relate brand and corporate names.
- *Equal dominance:* separate images are maintained for products, but each is also associated with the corporation. Neither the corporate nor the individual brand names dominate.
- *Mixed dominance:* sometimes the individual product brands are dominant and sometimes the corporate name is dominant, and in some cases, they are used together with equal emphasis.
- *Corporate dominance:* the corporate name is supreme and applied across a range of product lines, and communications tend to reinforce the corporate image.

The principle of prominence states that the relative prominence of brand elements affects perceptions of product distance and the type of image created for new products. That is, the relative prominence of the brand elements determines which elements become the primary ones and which elements become the secondary ones. In general, primary brand elements should be chosen to convey the main product positioning and points of difference. Secondary brand elements are often chosen for a supporting role to convey a more restricted set of associations such as points of parity or perhaps an additional point of difference. A brand secondary element may also facilitate awareness.

6.3.4 Linking brand elements to multiple products

There are many different ways to connect a brand element to multiple products. The principle of commonality states that the more common brand elements shared by products, the stronger the linkages between the products.

The simplest way to link products is to use the brand element as is across the different products involved. Other possibilities exist by adapting the brand, or some part of it, in some fashion to make the connection. For example, a common prefix or suffix of a brand name may be adapted to different products. McDonald's has used its "Mc" prefix to introduce a number of products, such as Chicken McNuggets, Egg McMuffin, and the McRib sandwich.

A relationship between a brand and multiple products can also be made with common symbols. For example, corporate brands often place their corporate logo more prominently on their products than their name, creating a strong brand endorsement strategy.

Conclusion

A branding strategy for a firm identifies which brand elements a firm chooses to apply across the various products it sell. This chapter described two important tools to help formulate branding strategies: the brand-product matrix and the brand hierarchy. Combining these tools with customer, company, and competitive considerations can help a marketing manager formulate the optimal branding strategy.

Chapter 7

Brand extensions

Introduction

As background, it is worthwhile to first consider the sources of growth for a firm. One useful perspective is offered by Ansoff's product/market expansion grid. As shown in the following figure, growth strategies can be categorized according to whether they involve existing or new customers or markets.

	Current Products	**New Products**
Current Markets	Market Penetration Strategy	Product Development Strategy
New Markets	Market Development Strategy	Diversification Strategy

Figure 7.1: Ansoff's Growth Share Matrix[36]

A brand extension is when a firm uses an established brand name to introduce a new product (approach 2 or 3). When a new brand is combined with an existing brand (approach 3), the brand extension can also be called a sub-brand. An existing brand that gives birth to a brand extension is referred to as the parent brand.

Brand extension can be broadly classified into two general categories:

- *Line extension:* the parent brand is used to brand a new product that targets a new market segment within a product category currently served by the parent brand. A line extension often involves a different flavour or ingredient form or size, or a different application for the brand.
- *Category extension:* the parent brand is used to enter a different product category from that currently served by the parent brand.

[36] Glen Urban and John Hauser, Design and Marketing of New Products, 2nd ed.

Brand extensions can come in all forms. One well-known branding expert, Edward Tauber, identifies the following seven general strategies for establishing a category (or what he calls a franchise) extension:

1- Introduce the same product in a different form.
2- Introduce products that contain the brand's distinctive taste, ingredient, or component.
3- Introduce companion products for the brands.
4- Introduce products relevant to the firm's perceived expertise.
5- Introduce products that capitalize on the firm's perceived expertise.
6- Introduce products that reflect the brand's distinctive benefit, attribute, or feature.
7- Introduce products that capitalize on the distinctive image or prestige of the brand.

7.1 Advantages of extensions

For most firms, the question is not whether the brand should be extended, but when, where, and how the brand should be extended. Well-planned and well-implemented extensions offer a number of advantages to marketers. These advantages can broadly be categorized as those that facilitate new product acceptance and those that provide feedback benefits to the parent brand or company as whole.

Facilitate new product acceptance
Improve brand image
Reduce risk perceived by customers
Increase the probability of gaining and trial
Increase the promotional expenditures
Reduce costs of introductory and follow-up marketing programs
Avoid cost of developing a new brand
Allow for packaging and labeling efficiencies
Permit consumer variety-seeking
Provide feedback benefits to the parent brand and company
Clarify brand meaning
Enhance the parent brand image
Bring new customers into brand franchise and increase market coverage
Revitalize the brand
Permit subsequent extensions

Figure 7.2: Advantages of Brand Extension[37]

[37] Kevin Lane Keller, *Strategic Brand Management*, 2nd edition.

7.2 Disadvantages of brand extensions

However, the brand extension strategy cannot only have advantages. Thus, there are different disadvantages listed by the following figure:

Figure 7.3: Disadvantages of Brand Extension[38]

Can confuse or frustrate consumers
Can encounter retailer resistance
Can fail and hurt parent brand image
Can succeed but cannibalize sales of parent brand
Can succeed but diminish identification with any one category
Can succeed but hurt the image of parent brand
Can dilute brand meaning
Can cause the company to forgo the chance to develop a new brand

7.3 Consumer's brand extensions evaluation

In analyzing potential consumer response to a brand extension, it is useful t start with a baseline case in which it is assumed that consumers are evaluating the brand extension based only on what they already know about the parent brand and the extension category and before any advertising, promotion, or detailed product information is made available. This baseline case provides the cleanest test of the extension concept itself and provides managers with guidance as to proceed with an extension concept and, if so, what type of marketing program might be necessary.

In evaluating a brand extension under these baseline conditions, consumers can be expected to use their existing brand knowledge, as well as what they know about the extension category, to try to infer what the extension of product might be like. In order for these inferences to result in favourable consumer evaluations of an extension, four basic assumptions must generally hold true:

- *Consumers have some awareness of end positive associations about the parent brand in memory.* Unless there exists some type of potentially beneficial consumer knowledge about the parent brand, it is difficult to expect consumers to form favourable expectations of an extension.

- *At least some of these positive associations will be evoked by the brand extension.* As will be discussed shortly, a number of different factors will determine which parent brand associations are evoked when consumers evaluate an extension. In general, consumers are likely to infer associations similar in strength, favourability, and

[38] Kevin Lane Keller, *Strategic Brand Management*, 2nd edition.

uniqueness to the parent brand when the brand extension is seen as being similar or close in fit to the parent brand.

- *Negative associations are not transferred from the parent brand.* Ideally, any negative associations that do exist for the parent brand would be left behind and not play a prominent role in the evaluation of the extension.
- *Negative associations are not created by the brand extension.* Finally, it must be the case that any attributes or benefits that are viewed positively by consumers with respect to the parent brand are not seen as a negative in the extension context. Consumers must also not infer any new attribute or benefit associations that did not characterize the parent brand but which they see as a potential drawback to the extension.

The more that these four assumptions hold true, the more likely it is that consumers will form favourable attitudes toward an extension.

7.4 Brand extension opportunities:

Brand extension strategies must be carefully considered by systematically following the steps listed as follows:[39]

- Define actual and desired consumer knowledge about the brand (e.g., create mental map and identify key sources of equity).

- Identify possible extension candidates on basis of parent brand associations and overall similarity or fit of extension to the parent brand.

- Evaluate the potential of the extension candidate to create equity according to the three-factor model:
    - Salience of parent brand associations
    - Favorability of inferred extension associations
    - Uniqueness of inferred extension associations

- Evaluate extensions candidate feedback effects according to the four-factor model:
    - How compelling the extension evidence is
    - How relevant the extension evidence is
    - How consistent the extension evidence is
    - How strong the extension evidence is

- Consider possible competitive advantages as perceived by consumers and possible reactions initiated by consumers.

- Design marketing campaign to launch extension.

- Evaluate extension success and effects on parent brand equity.

---

[39] Mary W. Sullivan, “Brand Extensions: when to use them,” *Management Science* 38, no. 6 (June 1992): 793-806

7.5 Extension Guidelines:

Brand extension study has received much research attention from academics in recent years. Some of the important research conclusions that have emerged are summarized as follows:

- *Successful brand extensions occur when the parent brand is seen as having favourable associations and there is a perception of fit between the parent brand and the extension product.*

- *There are many bases of fit: product-related attributes and benefits as well as non-product-related attributes and benefits related to common usage situations or user types.*

- *Depending on consumer knowledge of the product categories, perceptions of fit may be based on technical or manufacturing commodities or more surface considerations such as necessary or situational complementarities.*

- *High-quality brands stretch farther than average-quality brands, although both types of brand have boundaries.*

- *A brand that is seen as prototypical of a product category can be difficult to extend outside the category.*

- *Concrete attribute associations tend to be more difficult to extend than abstract benefit associations.*

- *Consumers may transfer associations that are positive in the original product class but become negative in the extension context.*

- *Consumers may infer negative associations about an extension, perhaps even based on other inferred positive associations.*

- *It can be difficult to extend into a product class that is seen as easy to make. Some seemingly appropriate extensions may be dismissed because of the nature of extension product involved.*

- *A successful extension can not only contribute to the parent brand image but also enable a brand to be extended even farther.*

- *An unsuccessful extension hurts the parent brand only when there is a strong basis of fit between the two.*

- *An unsuccessful extension does not prevent a firm from backtracking and introducing a more similar extension.*

- *Vertical extensions can be difficult and often require sub-branding strategies. For market reasons or competitive considerations, it may be desirable for the firm to introduce a lower-priced version of a product*.

- *The most effective advertising strategy for an extension is one that emphasizes information about the extension.*

Conclusion

This chapter examined the role of brand extensions in managing brand evolution. It outlined the potential benefits and problems of extension strategies, offered some simple conceptual guidelines to maximize the probability of the extension success, and identified a process to evaluate brand extension opportunities. Finally, a number of research findings concerning brand extensions, which deal with factors affecting the acceptance of a brand extension as well as the nature of the feedback to the parent brand, were summarized in this chapter.

Chapter 8

Managing brands over time and markets

Introduction

Increasingly, it is imperative that marketers properly define and control the branding strategy. A number of factors related to the brand evolution over time and markets are explained along this chapter.

8.1 Managing brands over time

This section considers how to best manage brands over time. Effective brand management requires taking a long-term view of marketing decisions. Any action that a firm takes as part of its marketing program has the potential to change consumer knowledge about the brand in terms of some aspect of brand awareness or brand image. These changes in consumer brand knowledge will have an indirect effect on the success of future marketing activities.

Unfortunately, marketers may have a particularly difficult time trying to anticipate future consumer reactions: if the new knowledge structures that will influence future consumer response do not exist until the short-term marketing actions actually occur, how can future consumer response be realistically simulated to permit accurate predictions?

8.1.1 Reinforcing brands

In a general sense, brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of brand awareness and brand image. Questions marketers should consider are as follows:

- What products does the brand represent, what benefits does it supply, and what needs does it satisfy?
- How does the brand make those products superior? What strong, favourable, and unique brand associations exist in the minds of consumers?

Both of these issues – brand meaning in terms of products, benefits, and needs as well as in terms of product differentiation – depend on the firm's general approach to the product development, branding strategies, and other strategic concerns.

- **Maintaining brand consistency**

Without question, the most important consideration in reinforcing brands is the consistency of the marketing support that the brand receives, both in terms of the amount and nature of that support. Brand consistency is critical to maintaining the strength and favourability of brand associations. Brands that receive inadequate support in terms of shrinking research and development and marketing communication budgets run the risk of becoming technologically disadvantaged as well as out-of-date, irrelevant, or forgotten.

From the perspective of maintaining consumer loyalty, inadequate marketing support in a especially dangerous strategy when combined with price increases.

In terms of qualitative aspects of positioning, an even cursory examination of the brands that have maintained market leadership for the last 50 or 100 years or so is a testament to the advantages of staying consistent.

Perhaps an even more compelling demonstration of the benefits of consistency is to consider the fortunes of those brands that have been inconsistent in their marketing program – for example, by consistently repositioning or changing ad agencies. One such brand is Burger King. Since its highly successful mid-1970s “Have It Your Way” campaign that touted the uniqueness and quality of its hamburgers, Burger King suffered through 20 years of false starts and wrong turns in brand support.

McDonald’s has employed many different slogans and ad campaigns over the years, but these advertising efforts all reflected the core values and associations for the brand. For example, McDonald’s 1995 ad theme, “Have You Had Your Break Today?” was a throwback to its 1970s ad campaign, “You Deserve a Break Today.” The slogan was a clever way to capitalize on the good feelings and product meaning embedded in the old slogan – reminding consumers of the efficiency, convenience, and friendliness of McDonald’s service – while providing a new twist and stronger call to action. In 2000, McDonald’s adopted a new slogan, “Smile,” with the refrain “We love to see you smile” – a similar evolution of its brand promise.[40]

In fact, many brands have kept a key creative element in their marketing communication programs over the years and, as a result, have effectively created some advertising equity.

- **Protecting sources of brand equity:**

Consistency therefore should be viewed in terms of strategic direction and not necessarily the particular tactics employed by the supporting marketing program for the brand at any point in time. Unless there is some change with either consumers, competition, or the company that makes the strategic positioning of the brand less powerful, there is likely to be little need to deviate from a successful positioning. Although brands should always look for potentially powerful new sources of brand equity, a top priority under these circumstances is to preserve and defend those sources of brand equity that already exist.

Ideally, key sources of brand equity are of enduring value. If so, these brand associations should be guarded and nurtured carefully. Unfortunately, their value can easily be overlooked as marketers attempt to expand the meaning of their brands and add new product-related or non-product-related brand associations.

- **Fortifying versus leveraging**

[40] McDonald’s annual report 1995-2000

There are a number of different ways to raise brand awareness and create strong, favourable, and unique brand associations in consumer memory to build consumer-based brand equity. In managing brand equity, it is important to recognize tradeoffs between those marketing activities that attempt to fortify and further contribute to brand equity and those marketing activities that attempt to leverage or capitalize on existing brand equity to reap some financial benefit.

The advantage of creating a brand with a high level of awareness and positive brand image is that many benefits may accrue to the firm in terms of cost savings and revenue opportunities. Marketing programs can be designed that primarily to capitalize on or perhaps even maximize these benefits. The more that there is an attempt to realize or capitalize on brand equity benefits, however, the more likely it is that the brand and its sources of equity may become neglected and perhaps diminished in the process. At some point, failure to fortify the brand will diminish brand awareness and weaken brand image. Without these sources of brand equity, the brand itself may not continue to yield as valuable benefits.

- **Fine-tuning the supporting marketing program**

Although the specific tactics and supporting marketing program for the brand are more likely to change than the basic positioning and strategic direction for the brand, brand tactics also should only be changed when there is evidence that they are no longer making the desired contributions to maintaining or strengthening brand equity.

Performance brand meaning may depend on the nature of brand associations involved. Several specific considerations play a particularly important role in reinforcing brand meaning in terms of product-related performance and non-product-related imagery associations, as follows:[41]

✓ *Product-related performance associations:*

In making product changes to a brand, it is important that loyal consumers feel that a reformulated product is a better product but not necessarily a different product. The timing of the announcement and introduction of a product improvement are also important: if the brand improvement is announced too soon, consumers may cease to by existing products; if the brand improvement is announced too late, competitors may have already taken advantage of the market opportunity with their own introductions.

✓ *Non-product-related imagery associations:*

For brand whose core associations are primarily non-product-related attributes and symbolic or experiential benefits, relevance in user and usage imagery is critical. Because of their intangible nature, non-product-related associations may be potentially easier to change, for example, through a major new advertising campaign that communicates a different type of usage situation. Nevertheless, ill-conceived or too-frequent repositioning can blur the image of a brand and confuse or perhaps even alienate consumers.

[41] Peter H. Farquhar, “Managing Brand Equity,” Marketing Research 1(September 1989)

8.1.2 Revitalizing brands

As it was noted, changes in consumer tastes and preferences, the emergence of new competitors or new technology, or any new development in the marketing environment can potentially affect the fortunes of the brand. In virtually every product category, there are examples of once prominent and admired brands that have fallen on brand times or, in some cases, even completely disappeared. Nevertheless, a number of these brands have managed to make impressive comebacks in recent years as marketers have breathed new life into their customer franchises.

As many examples illustrate, brands sometimes have had to return to their roots to recapture lost sources of equity. In other cases, the meaning of the brand has had to fundamentally change to regain lost ground and recapture market leadership. Reversing a fading brand's fortunes thus requires either lost sources of brand equity to be recaptured or new sources of brand equity to be identified and established. Regardless of which approach is taken, brands on the comeback trail have to make more revolutionary changes than evolutionary changes to reinforce brand meaning.

In profiling brand knowledge structures to guide repositioning, it is important to accurately and completely characterize the breadth and depth of brand awareness; the strength, favourability, and uniqueness of brand association and brand responses held in consumer memory; and the nature of consumer-brand relationships. A comprehensive brand equity measurement system should be able to help reveal the current status of these sources of brand equity. If not, or to provide additional insight, a special brand audit may be necessary. Of particular importance is the extent to which key brand associations are still adequately functioning as points of difference or points of parity to properly position the brand. So, are positive associations losing their strength or uniqueness? Have negative associations become linked to the brand?

Revitalization strategies obviously involve a continuum, with pure "back to basics" at one end and pure "reinvention" at the other end. Many revitalizations combine elements of both strategies.

With an understanding of the current and desired brand knowledge structures in hand, the customer-based brand equity framework again provides guidance or to how to best refresh old sources of brand equity or create new ones to achieve the intended position. According to the model, two such approaches are possible:

- Expand the depth and breadth of brand awareness, or both, by improving consumer recall and recognition of the brand during purchase or consumption settings.
- Improve the strength, favourability, and uniqueness of brand associations making up the brand image. This approach may involve programs directed at existing or new brand associations.

This section considers several alternative strategies for affecting the awareness and image of an existing brand to refresh old sources or create new sources of brand equity.

- **Expanding brand awareness**

With a fading brand, often it is not the depth of the brand awareness that is a problem customers can still recognize or recall the brand under certain circumstances. Rather, the breadth of brand awareness is the stumbling block-consumers only tend to think of the brand in very narrow ways. Therefore, one powerful means of building brand equity is to increase the breadth of brand awareness, making sure that consumers do not overlook the brand and that they will think of purchasing or consuming it in those situations in which the brand can satisfy consumers' needs and wants.

Assuming a brand has a reasonable level of consumer awareness and positive brand image, perhaps the most appropriate starting point for creating new sources of brand equity is with ways that increase usage. In many cases, such approaches represent the path of least resistance because they do not involve potentially difficult and costly changes in brand image or positioning as much as potentially easier-to-implement changes in brand salience and awareness.

Usage can be increased by either increasing the level or quantity or consumption (i.e., how much the brand is used) or increasing the frequency of consumption (i.e., how often the brand is used).

In general, it is probably easier to increase the number of times a consumer uses the product than it is to actually change the amount used at any one time. Consumption amount is more likely to be a function of the particular beliefs that the consumer holds as to how the product is best consumed. A possible exception to that rule is for impulse consumption products whose usage increases when the product is made more available (e.g., soft drinks, snacks).

In some cases, the brand may be seen as useful only in certain places and at certain times, especially if it has strong brand associations to particular usage situations or user types. In general, to identify additional or new opportunities for consumers to use the brand more a marketing program should be designed to include both of the following:

- Communications to consumers as to the appropriateness and advantages of using the brand more frequently in existing situations or in new situations
- Reminders to consumers to actually use the brand as close as possible to those situations

For many brands, increasing usage may be as simple as improving top-of-mind awareness through reminder advertising. In other cases, more creative types of retrieval cues may be necessary. These reminders may be critical because consumers often adopt functional fixedness with a brand such that it can be easily ignored in non-traditional consumption settings.

For example, some brands are seen as only appropriate for special occasions. An effective strategy for those brands may be to redefine what it means for something to be special.

Finally, perhaps the simplest way to increase usage is when actual usage of a product is less than the optimal or recommended usage. In this case, consumers must be persuaded of the merits of more regular usage, and many potential hurdles to increased usage must be overcome. In terms of the latter, product designs and packaging can make the product more convenient and easier to use.

- **Improving brand image**

Although changes in brand awareness are probably the easiest means of creating new sources of brand equity, more fundamental changes are often necessary. A new marketing program may be necessary to improve the strength, favourability, and uniqueness of brand associations making up the brand image. As part of this repositioning any positive associations that have been created may have to be neutralized, and additional positive associations may have to be created.[42]

- ✓ *Repositioning the brand:* In some cases, repositioning the brand requires establishing more compelling points of difference. This may simply require reminding consumers of the virtues of a brand that they have begun to take for granted. In the same context, a key point may turn out to be nostalgia and heritage rather than any product-related difference.

- ✓ *Changing brand elements*: Often one or more brand elements must be changed to either convey new information or to signal that the brand has changed. Although the brand name is typically the most important brand element, it is often the most difficult to change. Nevertheless, names can be dropped or combined into initials to reflect shifts in marketing strategy or to ease pronounceability and recall. Shortened names or initials also can disguise potentially negative product associations.

- **Entering new markets**

Positioning decisions require a specification of the target market and the nature of competition to set the competitive frame of reference. The target market(s) for a brand typically do not constitute all possible segments represent potential growth targets for the brand. Effectively targeting these market segments, however, typically requires some changes or variations in the marketing program, especially in advertising and other communications, and the decision as to whether to target these segments ultimately depends on a cost-benefit analysis.

To grow the brand franchise, many firms have reached out to new customer groups to build brand equity. Segments on the basis of demographic variables or other means and identifying neglected segments is thus one available brand revitalization option.

8.2 Managing brands over markets:

An important consideration in managing brand equity is recognizing and accounting for different types of consumers in developing brand marketing programs. This section examines in more detail the implications of differences in consumer behaviour and the existence of different types of market segments for managing brand equity. It pays particular attention to international issues and global branding strategies.

[42] Ronald Alsop, "Giving Fading Brands a Second Chance" *Wall Street Journal*, 20 October 1994.

8.2.1 Rationale for going international:

The success of many well-known global brands – Coca-Cola, Shell, Bayer, Rolex, Marlboro, Pampers, Mercedes-Benz, Apple, and L'Oreal.– have provided encouragement to many firms to market their brands internationally. A number of other forces have also contributed to the growing interest in global marketing, including the following:[43]

- Perception of slow growth and increased competition in domestic markets
- Belief in enhanced overseas growth and profit opportunities
- Desire to reduce costs from economies of scale
- Need to diversify risk
- Recognition of global mobility of customers

Ideally, the marketing program for a global brand consist of one product formulation, one package design, one advertising program, one pricing schedule, one distribution plan, and so on that would turn out to be the most effective and efficient possible option for each and every country in which the brand was sold.

8.2.2 Advantages of global marketing programs:

A number of potential advantages have been put forth concerning the development of a global marketing program the greater the extent to which these different advantages will actually be realized.

- *Economies of scale in production and distribution:* The primary advantage of global marketing program is the manufacturing efficiencies and lower costs that drive from higher volumes in production and distribution.

- *Lower marketing costs:* The more uniform the branding strategy adopted across countries, the more potential cost savings should prevail (in packaging, advertising, promotion, and other marketing communication activities).

- *Power and scope:* Consumers may believe that selling in many diverse markets is an indication that a manufacturer has gained much expertise and acceptance.

- *Consistency in brand image:* Maintaining a common marketing platform all over the world helps to maintain the consistency of brand and company image.

- *Ability to leverage good ideas quickly and efficiently:* A global marketer notes that globalization also can result in increased sustainability and "facilitate continued development of core competencies with the organization… in manufacturing, in R&D, in Marketing and Sales, and in less talked about areas such as Competitive Intelligence… all of which enhance the company's ability to compete."[44]

[43] Michael J. Thomas, Jack R. Bureau, and Narsingh Sanexa, "The Relevance of Global Branding," /Journal of Brand Management2, no. 5 (1995)
[44] Ian M. Lewis, "Key Issues in Globalizing Brands" (Third Annual Advertising and Promotion Workshop, Advertising Research Foundation, February 5-6, 1991)

- *Uniformity of marketing practices:* Finally, a standardized global marketing program may simplify coordination and provide greater control of how the brand is being marketed in different countries.

8.2.3 Disadvantages of global marketing programs:

A number of potential disadvantages of standardized global marketing programs have also been raised. Perhaps the most compelling criticism is that standardized global marketing programs often ignore fundamental differences of various kinds across countries and cultures.

- *Differences in consumer needs, wants, and usage patterns for products:* Marketing research at one time relevant that the French ate 4 times more yogurt than the British, the British consumed 8 times more chocolate than the Italians, and Americans drank 11 times more soft drinks than consumers abroad. Product strategies that work in one country may not work in another.

- *Differences in consumer response to marketing mix elements:* In a comparative study of brand purchase intentions for Korean and U.S. consumers, the purchase intentions of Americans were twice as likely to be affected by their product beliefs and attitudes toward the brand itself, whereas Koreans were eight times more likely to be influenced by social normative beliefs and what they felt others would think about the purchase.

- *Differences in brand and product development and the competitive environment:* Products may be at different stages of their life cycle in different countries. Moreover, the perceptions and positions of particular brands may also differ across countries. The nature of competition may also differ.

- *Differences in the legal environment:* At the J. Walter Thompson ad agency, executives point to a 30-second cereal commercial produced for British TV to show how much regulations in Europe alone can sap an ad. References to iron and vitamins would have to be deleted in the Netherlands; a child wearing a Kellogg’s T-shirt would be edited out in France where children are forbidden from endorsing products on TV. And in Germany, the line “Kellogg makes their corn flakes the best they’ve ever been” would be axed because of rules against making competitive claims. After the required changes, the commercial would be about 5-seconds long.

- *Differences in marketing institutions:* Channels of distribution, retail practices, media availability, and media costs all may vary significantly. Foreign companies have struggled for years to break into Japan’s rigid distribution system that locks out many foreign goods. China’s primitive logistics – poor roads, jammed rivers, and clogged railways – and inexperienced, indifferent, and often corrupt middlemen present kind of challenge.

- *Differences in administrative procedures:* Local managers may suffer from the “not invented here” syndrome and raise objections that the global marketing program misses some key dimension of the local market.

8.2.4 Standardization versus customization:

Perhaps the biggest proponent of standardization is the legendary Harvard professor Ted Levitt. In a controversial 1983 article, Levitt argued that companies needed to learn to operate as if the world were one large market, ignoring superficial regional and national differences:

A thousand suggestive ways attest to the ubiquity of the desire for the most advanced things that the world makes and sells – goods of the best quality and reliability at the lowest price. The world's needs and desires have been irrevocably homogenized. This makes the multinational corporation obsolete and the global corporation absolute… But although companies customize products for particular market segments, they know that success in a world with homogenized demand requires a search for sales opportunities in similar segments across the globe in order to achieve the economies of scale necessary to compete.[45]

According to Levitt, because the world is shrinking – due to leaps in technology, communication, and so forth – well-managed companies should shift their emphasis from customizing items to offering globally standardized products that are advanced, functional, reliable, and low-priced for all. Levitt's strong position elicited an equally strong response.

In summary, it is difficult to identify any one company applying the global marketing concept in the strict sense by selling an identical brand exactly the same way, everywhere.

8.2.5 Building global customer-based brand equity:

This section explores in brief how to best build strong global brands. Specifically, it shares some common guidelines for success that have emerged in global branding; these guidelines are encapsulated as the ten commandments of global branding.

1. Understanding similarities and differences in the global branding landscape
- Try to find as many commonalities as possible across markets
- Identify what is unique about different markets
- Examine all aspects of the marketing environment (e.g., stages of brand development, consumer behaviour, marketing infrastructure, competitive activity, legal restrictions)
- Reconcile the similarities and differences in the most cost-effective and brand-building manner

2. Don't take shortcuts in brand building
- Ensure that the brand is being built from the bottom up strategically by creating brand awareness first before crafting the brand image.
- Ensure that the brand is being build from the bottom up tactically by determining the appropriate marketing programs and activity for the brand in each market given the particular strategic goals

3. Establishing marketing infrastructure
- Create the appropriate marketing infrastructure – in terms of manufacturing, distribution,

[45] Theodore Levitt, "The Globalization of Markets," Harvard Business Review (May-June 1983): 92-102

and logistics – from scratch if necessary
- Adapt to capitalize on existing marketing infrastructure in other countries

4. Embrace integrated marketing communications
- Consider non-traditional forms of communication that go beyond conventional advertising
- Ensure that all communications are integrated in each market and are consistent with the brand's desired positioning and heritage

5. Cultivate brand partnerships
- Form partnerships with global and local partners to improve possible deficiencies in your marketing programs
- Ensure that all partnerships avoid compromising the brand promise and do not harm the brand equity in any way

6. Balance standardization and customization
- Be careful to retain elements of marketing programs that are relevant and add value to the brand across all markets
- Seek to find local adaptations and additions that complement and supplement these global elements to achieve greater local appeal

7. Balance global and local control
- Establish clear managerial guidelines as to principles and actions that all global managers must adhere to
- Delineate carefully the areas in which local managers are given discretion and autonomy in their decision making

8. Establish operable guidelines
- Explicate brand management guidelines in a clear and concise fashion in a document to be used by all global marketers
- Establish means of seamless communication between headquarters and local and regional marketing organizations

9. Implement a global brand equity measurement system
- Conduct brand audits when appropriate in overseas markets
- Devise a brand tracking system to provide timely, accurate, and actionable information on brands in relevant markets
- Establish a global brand equity management system with brand equity charters, brand equity reports, and brand equity overseers

10. Leverage brand elements
- Check the relevance of brand elements in global markets
- Establish visual brand identities that transfer across market boundaries

Conclusion

Brands are like ships. You could fill a book with analogies. One key common denominator is that brands, once they gain momentum, overtake agility. A brand heading in the right direction absorbs a lot of mishandling before it stops dead in the water, or goes off course. The selection of the right time and the best place are determinant for the brand to keep on the rise.

Part III

McDonald’s, the Fast Food Super-Brand

Introduction

Brands are powerful symbols that reflect not only the image with which manufacturers and advertising agencies try to imbue them but also the cultural milieu in which they are imbedded. If that milieu is qualitatively different from that of the society where the brand originated, brands can come to represent some surprising ideas and values to which marketing efforts must be sensitive.

In the previous parts, we dealt with the development, maintenance and growth of brands in connection with distinct products and services. To complete theory by practice, we decided to study the case of the leading global foodservice retailer, with more than 30.000 local restaurants serving 52 million people in more than 100 countries each day.

McDonald’s is one of the world’s strongest and most recognizable brands for its “world’s best quick service restaurant experience” (Vandenbosch and Mark). The purpose of this case study is affirming that McDonald’s brand extensions into new markets are not always perceived with the same way of local consumer. We try to evaluate the brand repositioning options in a particular consumer segment (business schools’ students). In order for McDonalds to successfully sustain their brand in the local market, they must manage their growth wisely, rely on the strength of their corporate brand, and consider what their customers really think their brand is. At the end, they must make sure that the extension of their brand into new markets brings meaningful perceived value to the consumers they target.

Through this part, we present the McDonald’s corporation and its global brand strategy, followed by an evaluation of the brand perception by the local customers.

Chapter 9

McDonald's Corporation Presentation

McDonald's is the world's largest chain of fast food restaurants, serving nearly 52 million customers daily. The following chart states some key information[46] about the group:

Figure 9.1: McDonald's Corporate Presentation

Type	Public (NYSE: MCD)
Founded	✓ May 15, 1940 in San Bernardino, California ✓ McDonald's Corporation, 1955 in Des Plaines, Illinois
Founder	✓ Dick and Mac McDonald: McDonald's restaurant concept ✓ Ray Kroc: McDonald's Corporation founder.
Headquarters	Oak Brook, Illinois, USA
No. of locations	More than 31,000 Worldwide
Key people	✓ Andrew J. McKenna Sr. Chairman ✓ Jim Skinner Vice Chairman & CEO ✓ Ralph Alvarez, president & COO
Industry	Fast Food Restaurants
Products	Hamburgers; Chicken; French fries; Soft drinks; Milkshakes; Salads; Desserts; Breakfast.
Revenue	$22.79 billion (2008)
Operating income	$14.445 billion (2006)
Net income	$3.544 billion (2006)
Employees	1,5 million (2008)
Website	www.mcdonalds.com

[46] McDonald's publication/ http://www.mcdonalds.ca/en/aboutus/faq.aspx, retrieved 08 May 2008

9.1 History

The business began in 1940, with a restaurant opened by siblings Dick and Mac McDonald in San Bernardino, California. Their introduction of the "Speedee Service System" in 1948 established the principles of the modern fast-food restaurant. The present corporation dates its founding to the opening of a franchised restaurant by Ray Kroc, in Des Plaines, Illinois on April 15, 1955, the ninth McDonald's restaurant overall. Kroc later purchased the McDonald brothers' equity in the company and led its worldwide expansion.

With the successful expansion of McDonald's into many international markets, the company has become a symbol of globalization and the spread of the American way of life. Its prominence has also made it a frequent topic of public debates about obesity, corporate ethics and consumer responsibility.

9.2 Corporate overview

McDonald's restaurants are found in 119 countries and territories around the world and serve nearly 52 million customers each day. McDonald's operates over 30,000 restaurants worldwide (13.700 in USA), employing more than 1.5 million people. The company also operates other restaurant brands, such as Piles Café, and has a minority stake in Pret a Manger. The company owned a majority stake in Chipotle Mexican Grill until completing its divestment in October 2006. Until December 2003, it also owned Donatos Pizza. On August 27, 2007, McDonald's sold Boston Market to Sun Capital Partners.

Most standalone McDonald's restaurants offer both counter service and drive-through service, with indoor and sometimes outdoor seating. Drive-Thru, Auto-Mac, Pay and Drive, or McDrive as it is known in many countries, often has separate stations for placing, paying for, and picking up orders, though the latter two steps are frequently combined; it was first introduced in Arizona in 1975, following the lead of other fast-food chains. In some countries "McDrive" locations near highways offer no counter service or seating. In contrast, locations in high-density city neighborhoods often omit drive-through service. There are also a few locations, located mostly in downtown districts that offer Walk-Thru service in place of Drive-Thru.

To accommodate the current trend for high quality coffee and the popularity of coffee shops in general, McDonald's introduced McCafés. The McCafé concept is a café-style accompaniment to McDonald's restaurants. McCafé is a concept of McDonald's Australia, starting with Melbourne in 1993. Today, most McDonald's in Australia have McCafés located within the existing McDonald's restaurant. In Tasmania there are McCafés in every store, with the rest of the states quickly following suit. As of the end of 2003 there were over 600 McCafés worldwide.

Some McDonald's in suburban areas and certain cities feature large indoor or outdoor playgrounds, called "McDonald's PlayPlace" (if indoors) or "Playland" (outdoors). The first

PlayPlace with the familiar crawl-tube design with ball pits and slides was introduced in 1987 in the USA, with many more being constructed soon after. [47]

In 2006, McDonald's introduced its "Forever Young" brand by redesigning all of their restaurants, the first major redesign since the 1970s.

The new design includes the traditional McDonald's yellow and red colors, but the red is muted to terra cotta, the yellow is turning golden for a more "sunny" look, and olive and sage green is added. To warm up their look, the restaurants have less plastic and more brick and wood, with modern hanging lights to produce a softer glow. Contemporary art or framed photographs hang on the walls.

The exterior have golden awnings and a "swish brow" instead of the traditional double-slanted mansard roof.

The new restaurants feature areas are:[48]

- The "linger" zone offers armchairs, sofas, and Wi-Fi connections.
- The "grab and go" zone features tall counters with bar stools for customers who eat alone; Plasma TVs offers them news and weather reports.
- The "flexible" zone is targeted toward families and has booths featuring fabric cushions with colorful patterns and flexible seating.
- Different music targeted to each zone.

9.2.1 McDonald's Corporation's business model

McDonald's Corporation earns revenue as an investor in properties, a franchiser of restaurants, and an operator of restaurants. Approximately 15% of McDonald's restaurants are owned and operated by McDonald's Corporation directly. The remainder is operated by others through a variety of franchise agreements and joint ventures.

The McDonald's Corporation's business model is slightly different from that of most other fast-food chains. In addition to ordinary franchise fees and marketing fees, which are calculated as a percentage of sales, McDonald's may also collect rent, which may also be calculated on the basis of sales. As a condition of many franchise agreements, which vary by contract age, country and location, the Corporation may own or lease the properties on which McDonald's franchises are located. In most, if not all cases, the franchisee does not own the location of its restaurants. The UK business model is different, in that fewer than 30% of restaurants are franchised, with the majority under the ownership of the company. McDonald's trains its franchisees and others at Hamburger University in Oak Brook, Illinois.

In other countries McDonald's restaurants are operated by joint ventures of McDonald's Corporation and other, local entities or governments.

As a matter of policy, McDonald's does not make direct sales of food or materials to franchisees, instead organizing the supply of food and materials to restaurants through approved third party logistics operators.

[47] McDonald's(R) Unveils R Gym(TM): The New and Fun Way for Kids to Play
[48] McDonald's wants a digital-age makeover / www.brandchannel.com

According to *Fast Food Nation* by Eric Schlosser (2001), nearly one in eight workers in the U.S. have at some time been employed by McDonald's. (According to a news piece on Fox News this figure is one in ten). The book also states that McDonald's is the largest private operator of playgrounds in the U.S., as well as the single largest purchaser of beef, pork, potatoes, and apples. The selection of meats McDonald's uses varies with the culture of the host country.

9.2.2 Products

McDonald's predominantly sells hamburgers, various types of chicken sandwiches and products, French fries, soft drinks, breakfast items, and desserts. In most markets, McDonald's offers salads and vegetarian items, wraps and other localized fare. This local deviation from the standard menu is a characteristic for which the chain is particularly known, and one which is employed either to abide by regional food taboos (such as the religious prohibition of beef consumption in India) or to make available foods with which the regional market is more familiar (such as the sale of McRice in Indonesia and McArabia in Middle-East countries).

9.2.3 Trademarks

The following trademarks, and many others, are the property of McDonald’s Corporation and its affiliates: McDonald’s, Backyard Burger, Big Mac, Big Red French Fry Box Design, Chicken McNuggets, Chicken Selects, Cinnamon Melts, Egg McMuffin, El Placer Del Momento, Espresso Pronto, Filet-O-Fish, Golden Arches Logo, Hamburger University, Happy Meal, i’m lovin’ it, McCafé, MCDirect Shares, McFlurry, McGriddles, McJob, McSkillet Burrito, Quarter Pounder, Ronald McDonald House Charities, RMHC, Sausage McMuffin, Snack Wrap, Teriyaki Mac, 100 Yen Menu…

9.2.4 Advertising

McDonald's has for decades maintained an extensive advertising campaign. In addition to the usual media (television, radio, and newspaper), the company makes significant use of billboards and signage, sponsors sporting events from ranging from Little League to the Olympic Games, and makes coolers of orange drink with their logo available for local events of all kinds. Nonetheless, television has always played a central role in the company's advertising strategy.

To date, McDonald's has used 23 different slogans in United States advertising, as well as a few other slogans for select countries and regions. At times, it has run into trouble with its campaigns.

9.3 McDonald's global brand strategy

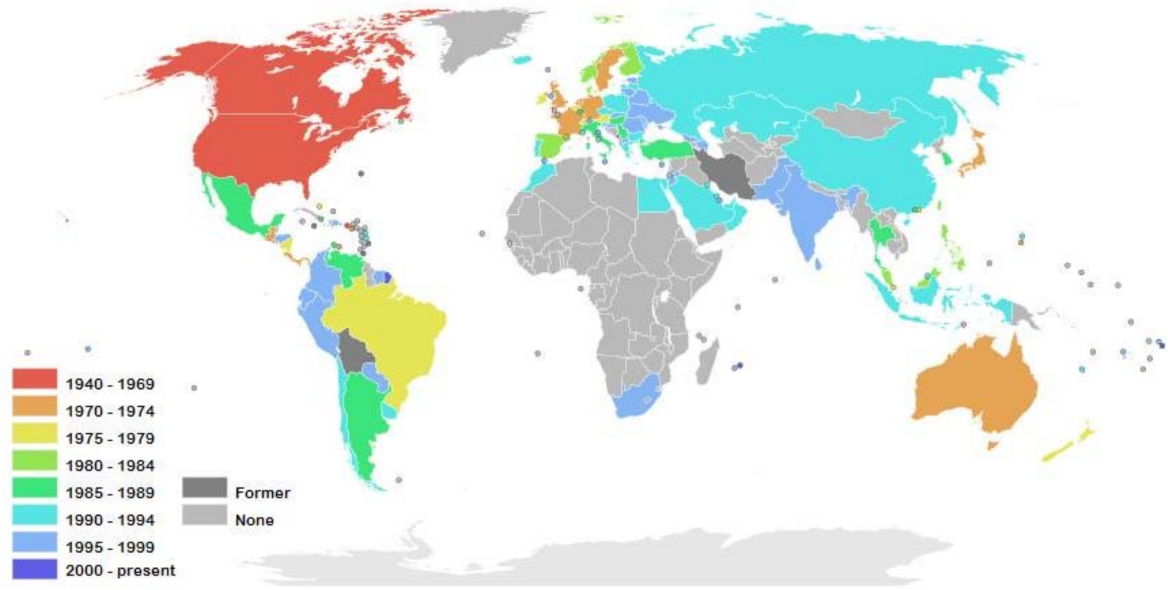
McDonald's has become emblematic of globalization, sometimes referred as the "McDonaldization" of society. *The Economist* magazine uses the "Big Mac Index": the comparison of a Big Mac's cost in various world currencies can be used to informally judge these currencies' purchasing power parity.

The EFTA countries are leading the Big Mac Index with the top 3 most expensive Big Mac's. Iceland has the most expensive Big Mac, followed by Norway and Switzerland.

The brand is known informally as "Mickey D's" (in the US and Canada), "Macky D's" (in the UK and Ireland), "Mäkkäri" (in Finland), "McDo" (in France, Quebec, the Philippines and the Kansai region of Japan), "Maccer's" (in Ireland), "Macarrannis" (in Mexico), "Maccas" (in New Zealand and Australia), "McD's" (in New Zealand), "Donken" (in Sweden), "de Mac" (in the Netherlands), Mäkkes (in Germany), "Mac" (in Brazil and the Kanto region of Japan) or "Mek" (in Serbia).

Some observers have suggested that the company should be given credit for increasing the standard of service in markets that it enters. A group of anthropologists in a study entitled *Golden Arches East* (Stanford University Press, 1998, edited by James L. Watson) looked at the impact McDonald's had on East Asia, and Hong Kong in particular. When it opened in Hong Kong in 1975, McDonald's was the first restaurant to consistently offer clean restrooms, driving customers to demand the same of other restaurants and institutions. In East Asia in particular, McDonald's have become a symbol for the desire to embrace Western cultural norms. McDonald's have recently taken to partnering up with Sinopec, China's second largest oil company, in the People's Republic of China, as it begins to take advantage of China's growing use of personal vehicles by opening numerous drive-thru restaurants.

Figure 9.2 : McDonald's Global Locations[49]



- Argentina
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Ecuador
- Egypt
- El Salvador
- Estonia
- Fiji
- Finland
- France
- Georgia
- Germany
- Greece
- Lithuania
- Malaysia
- Malta
- Mauritius
- Mexico
- Moldova
- Morocco
- Netherlands
- New Zealand
- Nicaragua
- Slovenia
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Syria
- Taiwan
- Thailand

[49] http://www.wikipedia.com/McDonald's.html

- Belgium
- Botswana
- Brazil
- Bulgaria
- Canada
- Chile
- People's Republic of China
  - Hong Kong
  - Macau
- Colombia
- Costa Rica
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Dominica
- Dominican Republic
- Grenada
- Guatemala
- Guyana
- Honduras
- Hungary
- Iceland
- Italy
- India
- Indonesia
- Ireland
- Israel
- Jamaica
- Japan
- Jordan
- Kuwait
- Latvia
- Lebanon
- Oman
- Pakistan
- Panama
- Peru
- Paraguay
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russia
- Samoa
- Saint Lucia
- Saudi Arabia
- Serbia
- Singapore
- Slovakia
- Trinidad and Tobago
- Turkey
- Ukraine
- United Arab Emirates
- United Kingdom
  - Bermuda
  - Cayman Islands
- United States
  - Guam
  - Puerto Rico
  - United States Virgin Islands
  - American Samoa
- Uruguay
- Venezuela
- Yemen
- Zimbabwe

9.3.1 Evolution of the brand:

“When we first began international operations it was essential to emphasize those core functional attributes, because they were key to establishing McDonald’s position in the marketplace (…) in the 1970s, when we opened our first restaurant in London, the idea of service, of eating 100 percent pure beef hamburgers offered at excellent value for money, in clean surroundings, simply did not exist. The positioning of McDonald’s as a restaurant which welcomed families, had high-chairs and did not mind if children made a nose, was new and different.

By the early 1980s, quick service restaurants (QSRs) were being seen as more of a pressured, utilitarian experience, not one that you could sit back and enjoy. So the brand went into evolutionary mode, to reassert its competitive edge and address some of the negative perceptions of the industry by focusing on our relationship with customers.

Then from the late 1980s, as competition from companies like Burger King grew, the brand strategy began to move again, aiming at a positioning based on the unique role McDonald’s plays in everyday costumers’ lives. After all, if you look at the total volume of hamburger restaurant meals consumed, McDonald’s accounts for about three quarters of them. Alternatively, in the USA, where the competition is more aggressive, heightened by price-cutting, market share is much lower.

The greatest potential weapon in our armory in terms of building the brand for the future is to continue to reinforce that emotional connection. It is not through price discounting or short-term tactical promotional activity that we increase our brand through exceptional customer satisfaction and value." – John HAWKES, senior vice president – [50]

9.3.2 McDonald's brand communication:

The target meaningful value of the McDonald's brand is: "A break for Mom, Mom being appreciated by the family, and she appreciating the family having fun." So the brand positioning is not about hamburgers. They are just part of the family fun experience but they are not part of that target experience. It's an experiential brand positioning.

The Calder model's model for expressing a brand's underlying meaning distinguishes between: verbal expressions via words and sounds, and visual expressions through pictures and images that can be seen, touched and even sniffed.

In the next, we try to find how has McDonald's brand equity management "architectured" the verbal and visual expressions of its targeted brand positioning.

First, the verbalizing that has three component strategies: naming, wording, describing.

In the case of McDonald's, naming included sub-brands like "McDonald's land," "PlayPlace," and "Happy Meal." The strategic intent is to provide consumers with "descriptive or figurative names" for the company and its products or services in order to reflect some of the corners and lines of the McDonald's brand meaning. It's clear that PlayPlace is for reflecting McDonald's fun family experience value for the kids and by extension, for the parents as well.

The wording strategy is somewhat similar to naming but still different enough to be considered a separate brand design verbalization. Examples for McDonald's are its invented lexicons such as "McNuggets," "McSpaghetti," or "Big Mac." The strategic intent is to give consumers a vocabulary where each word takes on a special meaning but all of which adds to the McDonald's meaningful experiential brand value.

For the describing strategy, good examples from McDonalds include: "You deserve a break today" or "Love ko 'to." The strategic intent here is to compose sentences or phrases that distinctively capture the consumer's experiential value of the brand. The "you deserve ..." sentence is obviously trying to capture the McDonald's experiential value for Mom.

To effectively express and communicate your chosen brand positioning, verbalizing is not enough. You also need to visualize. There are also three visualizing strategies: picturing, symbolizing, animating.

In McDonald's, the picturing strategy finds expressions in the photos and drawings of the merchandised toys shown in in-store posters or display stands as well as the Happy Meal and soft ice cream Twist McDip photos in the menu board. Here the strategic intent is to illustrate the brand's underlying experiential meaning with photos or drawings. The examples cited are all after the McDonald's experiential brand positioning for the kids and their Moms.

McDonald's symbolizing strategy is visualized in the form of the Golden Arches and the

[50] Brand Warriors / McDonald's UK: balancing the global local demands of the brand. (Pages 94 and 95)

PlayPlace signage. So the marketers' "symbolizing" strategic intent is to signify meanings via abstract images including a play with fonts. These visualizations serve to reinforce their verbalization counterparts.

Finally, the animating strategy in the McDonald's case comes via its mascots from the main mascot, Ronald, to the supporting mascots of Grimace, Birdie, Hamburglar, etc. Their strategic intent is to communicate McDonald's brand meaning through the "animating" of McDonald's brand personalization.

In their totality and combination, these verbalizations and visualizations must express in some mutually reinforcing manner, the brand meaning. The end result of the six brand positioning expressions should be synergy. It is the task of the brand design research to test for any incompatibility between and among the verbalizations and visualizations. Remember synergy is multiplicative, not additive. A "zero" score in one of the six strategies, render the entire set equal to zero. The worst case scenario is a "negative" score even in just one incompatible component. A negative score times a series of positives equals a negative. So, we have to test and test again. No matter how rough it may be, a good study will always demonstrate a ton of new things.

9.3.3 The strength of franchising:

One of McDonald’s greatest strengths has always been its approach to franchising. In some markets, up to 80 percent of the restaurants are owned and operated by independent entrepreneurs. Almost by definition, if you are franchising to local people the delivery and interpretation of what might be seen as the culture of US brand is automatically translated by local people, both in terms of what is delivered and the way it is delivered. The percentage of franchised restaurants may be lower in other markets, but the franchisees still bring a wealth of individual flair into the business. They come from a variety of different experiences and backgrounds, and they may well have been brought up in the local area of their restaurant, so they’ll know it well. Franchisees typically sign up for twenty years, and because it is their livelihood they bring a great deal of dedication and energy to a restaurant’s development.

Success in a new market comes largely from listening to the indigenous partners, franchisees, customers and suppliers. Along with its partners and suppliers, McDonald’s have invested considerable resources in establishing operations, including the construction of restaurants, infrastructure, and developing employees and local suppliers. Its aim is to purchase products required for the restaurants locally; over several years, McDonald’s have been working with local companies to develop products specifically for the restaurants, by sharing expertise, technology and equipment of high standard.

The chain menu reflects the local cultural framework: for example, McDonald’s India offers products developed especially for the Indian market. Big Mac thus becomes Maharaja Mac, which consists of two all-mutton patties – not beef –, special sauce, lettuce, cheese, pickles and onions on a sesame seed bun. Israel has some kosher McDonald’s restaurants, while Saudi Arabia has a restaurant which closes five times a day for Muslim prayer.

The fundamental essence of the menu is important to the brand. It needs to be limited, not only so it can be served efficiently, but also to keep the quality levels high. Most people around the world like McDonald’s hamburgers, the French fries and Coca-Cola. Making changes to account for local tastes is important.

9.3.4 McDonald's brand as a living process:

The challenges McDonald's faces are different, market by market. The USA, for example, is dealing with issues which other countries can learn from. There are more and more opportunities for people to eat out, so it is a constant challenge for such QSRs to maintain market share. Its competition comes not just from other chains, so one of the ways McDonald's can grow is by making itself more convenient and taking the brand to where people congregate by using, for example, mobile restaurants. This approach is part of the objective to make the McDonald's brand and position available in more places. Unusual locations now include airports, hospitals, university campuses and military bases, among others. McDonald's food can also be found on airplanes, trains and ships.

There is a great deal of room for growth. Based on the populations of the countries where the chain currently operates, on a given day McDonald's still serves only 1 percent of the population. In China, for example, there are only around sixty restaurants to serve 1.2 billion people.

"It is fair to say that the business we are in is simple. But managing the brand is not a simple process. It might be relatively straightforward to sell one Big Mac to one customer. The skill lies in doing it well 50 million times a day, day in day out, around the world." – J. HAWKES, Senior Vice President –

Chapter 10

The questionnaire results, analysis and discussion

This section takes an in-depth look at the research results by analyzing the responses of the 10 questions found in the questionnaire (look Appendices). The first section describes the characteristics of the respondents, while the other three sections, inter alia, deal with brand-related consumer behavior**,** Brand awareness and Brand image. The results of this survey are based on the 95 usable questionnaires, which were completed by the targeted sample of business schools students. The response rate and usability for each question was exceptionally good with an average of 94.73%. (The printed number of questionnaires was 100 copies, but the returned ones were just 95).

Numerous cross tabulations were executed in the aim of identifying significant trends, preferences and agreements. The most relevant and appealing ones are discussed in this chapter. Incidentally, the cross tabulations with the use of respondent choices seemed to be the most fruitful in producing results. To simplify the results and its reading, the use of "proportion" was preferred over other techniques.

We use to note that direct store comparisons were made each time it was possible. For example, questions that asked a respondent to compare an explicit attribute between two convenient statements. Furthermore, the use of tables and graphs were purposely selected for all the questions in order to exemplify apparent results or trends.

The following comments are the key findings drawn from the analysis of the questionnaire:

10.1 Characteristics of the respondents

Question A was aimed at identifying different groupings within a sample of business schools students. The main variables used to assess the respondents' demographic profiles are namely, age and gender. Each of these demographic characteristics will be addressed as follows.

- Age: Respondents were asked to specify their age in the first part of question A. The various age groups of the students are shown in the first figure.

- Gender: The second figure gives a breakdown of the number of men and women that made up the respondent group.

A. I'm …

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	**]18-22] years old**	**66**	**69,47%**					
2/	+ 22 years old	29	30,53%					
	Total	**95**	**100%**					

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	**Feminine**	**51**	**53,68%**					
2/	Masculine	44	46,32%					
	Total	**95**	**100%**					

The first two figures show that 70% of responders are aged from 18 to 22 years old, whereas only 30% are aged more than 22 years old. We notice that the majority of the interviewed persons are students in the High International Institute of Tourism in Tangier. We can note also that the sample is compound of 54% feminine and 46% masculine, from different nationalities. That means that the respondents were evenly matched with relatively the same number of men as women.

10.2 Brand-related consumer behavior:

The purpose of questions B & C in the questionnaire dealt with the importance of brand loyalty for the consumer behavior and the role it plays in the consumer's buying decisions, in general and mainly in the field of fast food restaurants.

B. In my daily life I'm:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Very interested about brands	27	28,42%					
2/	**Interested about brands**	**52**	**54,74%**					
3/	Not interested about brands	13	13,68%					
4/	I don't know	3	3,16%					
	Total	**95**	**100%**					

The total response average reveals that about half the interviewed persons are interested about brands in their daily life. Results that can indicate the sample's recognition of many favorite brands for each everyday consumption product.

C. For fast-food and snacks:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	I don't mind about the brand	38	40%					
2/	**I prefer buy a well known brand**	**46**	**48,42%**					
3/	I don't know	11	11,58%					
	Total	**95**	**100%**					

The analysis of these question results displays how consumer's memory is organized to choose a fast food restaurant rather than others. The major part of the responders prefer buying a well-known brand, but a very significant number of them don't mind about the brand and prefer consuming the local sandwich shops' products. We can notice, as a consequence, the effect of standardization on the fast food branch.

10.3 Brand Awareness:

Brand awareness relates to the likelihood that a brand will come to mind and the ease with which it does so given different types of cues. The aim of this question is to show how McDonald's is known compared to other international fast food restaurant chains.

D. What brands of quick-service restaurant chains are you aware of?

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Quick	30	11,41%					
2/	KFC	30	11,41%					
3/	**McDonald's**	**95**	**36,12%**					
4/	Pizza Hut	86	32,69%					
5/	Others	22	08,36%					
	Total	**263**	**100%**					

McDonald's Corporation has held a prominent position in the fast-food market for much of its existence. A person would be hard pressed to find consumers who would not readily recognize the famous golden arches, as the company has expanded its market globally.

Figure 10.1: Top fast food brands ranking [51]

#	Brand	Parent	Brand Value ($m)
1	McDonald's	McDonald's Corporation	33,138
2	Starbucks	Starbucks Corporation	16,057
3	Subway	Doctor's Associates Inc.	7,433
4	KFC	Yum! Brands, Inc.	4,485
5	Tim Horton's	Tim Horton's	2,929
6	Pizza Hut	Yum! Brands, Inc.	2,295
7	Wendy's	Wendy's International, Inc.	2,138
8	Taco Bell	Yum! Brands, Inc.	1,537
9	Burger King	Burger King Corporation	1,401
10	Domino's Pizza	Domino'S Pizza, Inc.	434

That's why 100 % of the interviewed persons recognize that they are aware of the McDonald's brand. Compared to other brands it gathers 36.12% of total responses, but we

[51] BRANDZ-2007 top 100 most powerful brands, ranking report, Millward Brown Optimor.

have to notice also the immense part of Pizza Hut as the most important rival in the local market.

10.4 Brand image:

While there is no secret that McDonald's is neither the healthiest nor the tastiest option available, this study proves that the customers' negative press hasn't prevented the McDonald's brand from growing consistently.

10.4.1 Brand strength:

McDonald's strengths are that: it is ranked as the eighth most valuable brand name in the world[52], it has experienced brand management and it adapts its offer within cultures and markets. McDonald's strategy for its globalization plan has included the concept of localizing their product (to a degree) for an international market. But to what extent it can work? That is what we will see in the following.

E. When I say McDonald's, what are the first associations that come to your mind?

Frequency analysis

	Answer	Count	Percent	20%	40%	60%	80%	100%
1/	Innovative	24	19,05%					
2/	**Knowledgeable**	**26**	**20,63%**					
3/	Trustworthy	08	06,35%					
4/	Likable	22	17,46%					
5/	Concerned about their customers	19	15,08%					
6/	Concerned about the society	08	06,35%					
7/	Admirable	19	15,08%					
	Total	**126**	**100%**					

The most ranked responses in this question are:

- 20.23%: McDonald's is knowledgeable. It means that people are aware of the brand and they understand what it stands for.
- 19.05%: It is innovative. It deals with the brand ability to adapt its products and services with the local market's wants and needs to reinforce such reputation.
- 17.46%: People like it. This has to do with the extent to which consumers like the brand and hold it in high regard.

By asking this question we were in search of identifying the perception of McDonald's as it is found in the mind of each consumer.

Once understanding the high extent of awareness that consumers have of McDonald's and the perceived image of its services, it is primordial to measure the usage of the brand by asking the following question:

[52] The Top 100 Brands 2007, Interbrand, JPMorgan Chase & Co., Citigroup, Morgan Stanley, BusinessWeek

F. Have you eaten in a McDonald's restaurant in the last week?

Frequency analysis								
	Answer	Count	Percent	20%	40%	60%	80%	100%
1/	Yes	43	45,23%					
2/	**No**	**52**	**54,77%**					
	Total	**95**	**100%**					

54.77% reported having not eaten in a McDonald's restaurant in the last week, while 45.23 % claim to have eaten in it. We have to take into account that the purchasing power of the interviewed students is not appropriate for a regular McDonald's products' consumption. That means that the majority of the sample eats in McDonald's restaurants but occasionally.

McDonald's, which has operated successfully for more than 50 years, has recently become aware of dropping sales which have been attributed to the growing health and globalization concerns. The plan the marketing team has developed includes a new campaign that will attempt to reposition the fast-food chain as the best choice for consumers.

The following questions deal with the brand judgment and its effects.

Please indicate your agreement with the following statements (1=strongly disagree; 2=disagree; 3=neither agree nor disagree; 4=agree; 5=strongly agree)

G. How favorable is your attitude toward McDonald's?

Frequency analysis								
	Answer	Count	Percent	20%	40%	60%	80%	100%
1/	Strongly unfavorable	18	18,95%					
2/	unfavorable	24	25,26%					
3/	**Neither favorable nor unfavorable**	**25**	**26,32%**					
4/	favorable	21	22,10%					
5/	Strongly favorable	07	07,37%					
	Total	**95**	**100%**					

The consumers' attitude in the local market toward McDonald's brand is rarely favorable compared to total responses. In fact, we estimated a general favorable attitude toward McDonald's restaurants and products because of the rigorous food safety standards, but the survey results reveal that many other factors merge to generate such negative attitude. We underline the targeted market (children, teenagers, and families), the management style and even the rejection of McDonald's culture, as the main factors.

H. How well does McDonald's satisfy your needs?

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Strongly dissatisfied	18	18,95%					
2/	Dissatisfied	22	23,16%					
3/	**Neither satisfied nor dissatisfied**	**27**	**28,42%**					
4/	Satisfied	16	16,84%					
5/	Strongly satisfied	12	12,63%					
	Total	**95**	**100%**					

Only 29% of the interviewed persons confirm that McDonald's satisfy their needs. But compared to the great number of persons who affirm that they are dissatisfied, McDonald's seems to be far of satisfying the needs of the interviewed persons.

Psychological research has shown us that humans are notoriously trusting, positive, and generally apathetic when it comes to thinking too much about habitual behaviors. So it takes only a little effort on the part of a big brand, such as McDonald's, to convince us that everything is OK. By publishing the ingredients in its food, by using point of purchase displays highlighting its "healthier options", by using bright lighting, open fridges, and by presenting an argument against the claims made by the films and books, McDonald's is using a tried and tested psychological theory — often used by large brands in an abundant marketplace — called bounded rationality.[53]

I. How likely would you be to recommend McDonald's to others?

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	**Strongly not recommender**	**27**	**28,42%**					
2/	Not recommender	15	15,79%					
3/	Neither recommender nor not recommender	26	27,37%					
4/	Recommender	15	15,79%					
5/	Strongly recommender	12	12,63%					
	Total	**95**	**100%**					

According to the figure above, the majority said that they don't recommend McDonald's restaurants to others, or they are not interested about recommending it at all. That can mask the drop of the McDonald's loyalty, in general, by the interviewed persons.

Generally, we are creatures of habit in our purchase decisions, and rely on simple messages, and tap into stereotypes, values and emotions, to help us make sense of a complicated world. In this situation, put in a position of choosing between something new,

[53] www.makeupyourownmind. com.au

and something we always eat, we are more than likely to choose the latter. McDonald's has exploited our desire to simplify our busy, demanding lives and thought processes. In other words, McDonald’s do not need our commitment to advertise its services.

J. To what extent does thinking of McDonald’s bring back pleasant memories?

Frequency analysis								
	Answer	Count	Percent	20%	40%	60%	80%	100%
1/	**Strongly disagree**	**24**	**25,26%**					
2/	**Disagree**	**24**	**25,26%**					
3/	**Neither agree nor disagree**	**24**	**25,26%**					
4/	Agree	13	13,68%					
5/	Strongly agree	10	10,54%					
	Total	**95**	**100%**					

The promotional program of McDonald’s is designed to keep a very positive reputation of the brand in the consumer mind, and even to rely some unforgettable ceremonies to McDonald’s restaurants (we underline here the example of McDonald’s birthdays). But in the present case, only 24% of responses express the sample’s agreement that thinking of McDonald’s is bringing back to them pleasant memories. That can be explained by the cultural paradoxes reflected in brand meaning. Otherwise, the perception of McDonald’s in Morocco is not the same in the USA or China. Brands can come to represent some cultural values of which marketing efforts must be aware.

10.4.2 Brand uniqueness:

In this part of the questionnaire we are seeking the McDonald’s brand feelings and performance.

K. Does McDonalds give you a felling of…?

Frequency analysis								
	Answer	Count	Percent	20%	40%	60%	80%	100%
1/	Kindness	11	08,87%					
2/	Fun	38	30,65%					
3/	**Pleasure**	**39**	**31,45%**					
4/	Safety	11	08,87%					
5/	Social appreciation	16	12,90%					
6/	Self-esteem	09	07,26%					
	Total	**124**	**100%**					

This chart illustrates the brand feelings of the interviewed persons. The most frequently expressed were pleasure (31.45%) and fun (30.65%).

L. To what extent do you feel the following product characteristics are descriptive of McDonald's? (1=strongly disagree; 2=disagree; 3=neither agree nor disagree; 4=agree; 5=strongly agree)

- Has quickly service:

Frequency analysis				
	Answer	Count	Percent	20% 40% 60% 80% 100%
1/	Strongly disagree	12	12,63%	
2/	Disagree	07	07,37%	
3/	Neither agree nor disagree	09	09.47%	
4/	Agree	15	15,79%	
5/	**Strongly agree**	**52**	**54,74%**	
	Total	**95**	**100%**	

Results of this question show that the majority (54.74%) of respondents is strongly agree about the rapidity of McDonald's service.

- Is for all the family:

Frequency analysis				
	Answer	Count	Percent	20% 40% 60% 80% 100%
1/	**Strongly disagree**	**29**	**30,53%**	
2/	Disagree	07	07,37%	
3/	Neither agree nor disagree	13	13,68%	
4/	Agree	18	18,95%	
5/	Strongly agree	28	29,47%	
	Total	**95**	**100%**	

Most respondents are confused about the targeted market of McDonald's. A significant number of respondents' opinions vary between strongly agree (29.47%) and strongly disagree (30.53%).

- Has a varied menu:

Frequency analysis				
	Answer	Count	Percent	20% 40% 60% 80% 100%
1/	Strongly disagree	20	21,05%	
2/	Disagree	16	16,84%	
3/	**Neither agree nor disagree**	**28**	**29,47%**	
4/	Agree	08	08,42%	
5/	Strongly agree	23	24,21%	
	Total	**95**	**100%**	

Opinions change from a person to another. Generally speaking, it seems that most respondents are displeased of McDonald's menu's diversity – especially for healthier varieties.

McDonald's freely admits that the healthier choices make up less than 10 per cent of its sales. Its main argument is that choice is the key issue in providing new menu items, and that it is its responsibility to provide as many options as its infrastructure will allow.

➢ Offers fun promotions:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	**Strongly disagree**	**30**	**31,58%**					
2/	Disagree	19	20%					
3/	Neither agree nor disagree	21	22,10%					
4/	Agree	10	10,53%					
5/	Strongly agree	15	15,79%					
	Total	**95**	**100%**					

A large part (31, 58%) of this customers' segment do not see that McDonald's is offering fun promotions because, in fact, the promotional policy if not all marketing strategy is aimed at young children.

➢ Has clean facilities:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Strongly disagree	19	20%					
2/	Disagree	09	09,47%					
3/	Neither agree nor disagree	16	16,84%					
4/	Agree	17	17,89%					
5/	**Strongly agree**	**34**	**35,80%**					
	Total	**95**	**100%**					

Clean facilities are the means of differentiation for McDonald's comparing to competitors. 35.80% of customers are satisfied from the cleanness of McDonald's restaurants.

➢ Has delicious food:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Strongly disagree	22	23,16%					
2/	Disagree	13	13,68%					
3/	**Neither agree nor disagree**	**23**	**24,21%**					

4/	Agree	15	15,79%	
5/	Strongly agree	22	23,16%	
	Total	**95**	**100%**	

People are confused about the food quality in McDonald's restaurants. To manage such situation, McDonald's products have to change as tastes change.

- Has friendly staff:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	**Strongly disagree**	**31**	**32,63%**					
2/	Disagree	13	13,68%					
3/	Neither agree nor disagree	12	12,63%					
4/	Agree	18	18,95%					
5/	Strongly agree	21	22,11%					
	Total	**95**	**100%**					

Standardization in the human resources management makes customers feel that the staff behavior is not so natural. Even if they are always smiling to customers, a large number of interviewed persons (32.63%) are strongly disagreeing the statement that McDonald's staff is friendly.

- Has a stylish look:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Strongly disagree	17	17,89%					
2/	Disagree	14	14,74%					
3/	Neither agree nor disagree	17	17,89%					
4/	Agree	14	14,74%					
5/	**Strongly agree**	**33**	**34,74%**					
	Total	**95**	**100%**					

We cannot say that McDonald's architecture and décor are old-fashioned but the reality is that 34.74% of the interviewed students think that they have no stylish look.

According to the Brand Power Study, which looked at a mix of 60 American and international brands, about half of the 33 U.S. brands listed showed year-over-year decreases in scores based on three key attributes important to consumers: familiarity, likeability and the likelihood that consumers would tell others good things about the brand.

10.4.3 Brand favorability:

The last question was meant to be a measurement of customer's favorability about McDonald's brand.

M. Write Y (yes) or N (no) to indicate your agreement with the following situations:

- I really love McDonalds:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Yes	33	34,74%					
2/	**No**	**62**	**65,74%**					
	Total	**95**	**100%**					

A big "no" for McDonald's loyalty and attachment is shown through the responses of 65.74% of the sample. In some countries McDonald's represents the most heated brand.

This decline in interest and respect for US products was reflected in consumers' view of American cultural values. A new worldwide study of consumer attitudes has found that the declining respect for American cultural values exacerbated by the crisis in Iraq is having a potentially disastrous effect on the image of US brands such as McDonald's.

- McDonald's is more than a product for me:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Yes	22	23,16%					
2/	**No**	**73**	**76,84%**					
	Total	**95**	**100%**					

With more than 75% of respondents' disagreement, another negative response can mean that McDonald's is just losing its customer favorability.

McDonald's, one of the world's most successful retailers, is nestling at the bottom of the Brand Index popularity measures (a leading consumer barometer of over 1000 brands, owned by You Gov).

- I buy McDonald's whenever I can:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Yes	34	35,79%					
2/	**No**	**61**	**64,21%**					
	Total	**95**	**100%**					

People will only buy if they are sure they are getting value for money. But these question results confirm that they prefer not buy McDonald's products when they have other choices.

➢ I'm proud to have others know I eat at McDonald's:

Frequency analysis								
	Answer	**Count**	**Percent**	20%	40%	60%	80%	100%
1/	Yes	23	24,21%					
2/	**No**	**72**	**75,79%**					
	Total	**95**	**100%**					

The question results approve the drop of McDonald's customers' loyalty. They could play a basic role in advertising, but with 75.79% of interviewed customers saying no for making others know of their McDonald's usage, they are giving a negative image of the brand.

U.S. BRANDS "LIKEABILITY" SCORES DECREASED FOR:

BRAND	TO	FROM	% DECLINE
Coca-Cola	212.8	252.4	15.6%
McDonald's	155.3	174.7	11.1%
	143.8	157.9	8.9%
YAHOO!	83.7	89.9	6.8%

Figure 10.2: U.S. Brands Likability

This was also the finding in the latest brand perception study from market research firm GfK Roper Consulting. The study tracked consumer attitudes to top global brands in 25 countries.[54]

But has this unenviable reputation really damaged sales? Well, a paradox persist through the efficiency of McDonald's marketing actions, to gain a market share three times bigger than its main competitor Burger King and even to be rewarded for driving sales with a high stock price.

[54] GFK ROPER Consulting

Conclusion

Remarkably little work has been done in the marketing field as to the relationship between brand meaning and the nature of traditional culture, especially where traditional culture is changing. This should be of paramount importance to marketers, as a brand's image comes from the interplay between the culture surrounding it and a marketing campaign. If culture is in a state of flux, brand meaning can also fluctuate. In this research, we related the nature of societal change to evaluation of a brand by local consumers.

Specifically, this case study reviews one of the world's strongest brands as judged by many marketers. McDonald's key of success has been its capacity to touch universal consumer needs with such consistency that the essence of the brand has always been relevant to the local culture, lifestyles and eating habits.

This work investigated how consumers psychologically perceive the McDonald's brand and how it manages to both engender purchasing behavior change and provide a medium for carrying on customary ways of interacting.

General Conclusion

To make matters worse, most companies have the same ideas at the same time. No wonder! These companies recruit the same type of people, they use the same competitive intelligence, and they use the same research, consumer insights tools, and models to generate, screen, and forecast new marketing ideas or strategies.

Successful brands are an important strategic alternative for companies to stand out. They efficiently transfer to customers the meaning of product and make its identification easier, as a basis for creating sustained competitive advantage and more victorious strategic positioning.

Along this report, we presented different steps of development of leading brand strategies.

This project begun with an initiation into fundamentals of branding, giving a brief terminology that provides the reader with basic technical background. The first part includes an overview of different success factors of branding. For this purpose, we outlined the concept of customer-based brand equity. More formally, we gave first a description of the sources of brand equity that lie in the minds of consumers and state what they have experienced and learned about the brand over time – in other words, brand awareness and brand image.

Starting from this idea, we analyzed and detailed the outcomes arising from the marketing programs that are able to register the brand in memory and link it to strong, favorable and unique associations. Consequently, we notified that a number of benefits for the brand can be realized in terms of greater loyalty, less vulnerability to competitive marketing actions, increased marketing communication effectiveness and additional brand extension opportunities.

In the next part, we proposed an effective approach to strong brands positioning and values establishment. Further, the work described – through the initial choice of the brand elements, the design of marketing programs and the leverage of the brand secondary associations – the importance of complementary and consistency in building brand equity.

Then we moved to the measurement system design description. We started with a general brand value chain overview. Then we depicted in details the need to employ a full complement of research techniques and processes that capture as much as possible the richness and complexity of brand equity.

Since a broad, long-term perspective of brands is critically important, we demonstrated that brand hierarchies must be created that define common and distinct elements among various nested products. We mentioned that new products and brand extension strategies also must be designed to determine optimal brand and product portfolios.

All along the second part we insisted on the extreme shifting and dependent nature of the brand strategies. To remedy at these issues, we explained how brands and products must be effectively managed over time and target market segments by creating brand awareness and a positive brand image, in order to run the risk of confusing or alienating consumers. This was also the aim of the third part of the report. Therefore, we started with the description of the McDonald's corporation and its global brand strategy. Further, we explained how it needs to be constantly reassessed, in terms of fixing on the best course of action for its brand in particular markets, based on an analysis of the relevant customers' perception of the brand.

Since it is about a vast domain that surpasses the framework of this End of Studies Project, we tried to be as clear as possible in such way to allow anyone who reads the report to get a general idea about the strategic brand management issues for different types of products, corporate structures and market segments. This may explain the relative length of the document.

Personally, we particularly appreciated working on this theme. It was a very enriching academic experience as much as it was a good exercise of brand strategies achievement. This allowed us to set in practice some of the knowledge acquired during our studies. All the more, it was an exceptional occasion to experiment participation in a collaborative work.

Therefore, we plan to continue working on the development of such knowledge, but also to use it to perform and improve our managerial skills, particularly in the framework of professional life.

Bibliography

Websites:

- www.brandchannel.com
- www.allaboutbranding.com
- www.businesslink.com
- www.knowthis.com
- www.brandrepublic.com
- www.businessweek.com
- www.interbrand.com
- www.fastfood.com
- www.mcdonalds,com
- www.mcdonalds.ca
- www.mcdonaldsbrandcenter.com
- www.wikipedia.com
- www.businessweek.com
- www.makeupyourownmind. com.au

Books:

- Alina Wheeler, *Designing Brand Identity, a Complete Guide to Creating, Building, and Maintaining Strong Brands* (2003 by John Wiley & Sons, Inc.)

- David A. Aaker & Erich Joachimsthaler, *Brand Leadership* (2000 by Free Press Business)

- Harper Collins Business, *Brand Warriors, Corporate Leaders Share their Winning Strategies* (1997 edited by Fiona Gilmore)

- Kevin Lane Keller, *Strategic Brand Management, Building, Measuring, and Managing Brand Equity* (second edition 2003, by Prentice Hall)

- Scott M. Davis, foreword by David A. Aaker, *Brand Asset Management, Driving Profitable Growth Through Your Brands* (2002 by John Wiley & Sons, Inc.)

- Paul Temporal, *Advanced Brand Management, From Vision to Valuation* (2002 John Wiley and Sons (Asia) Pie Ltd)

- Dave Sutton and Tom Klein, *Enterprise Marketing Management, The New Science of Marketing* (2003 by John Wiley & Sons, Inc.)

Reports and researches (PDF Documents & WebPages):

- ✓ *Fast Food Nation*, Eric Schlosser
- ✓ *The Tricky Business of Nonprofit Brands*, Harvard B-School Working Knowledge
- ✓ *Make Your Brand Pop*, BusinessWeek
- ✓ *China's Power Brands*, BusinessWeek
- ✓ *Brand That I Love*, FastCompany

- ✓ *The Decline of Brands*, Wired
- ✓ *A Strong Logo = An Identifiable Brand*, Brand Packaging
- ✓ *How Consumers Value Global Brands*, Harvard B-School Working Knowledge
- ✓ *Licensed Products Still Prevail*, Promo Magazine
- ✓ *Building a Brand on the Touchpoints That Count*, Mercer Management
- ✓ *The Good Brand*, FastCompany
- ✓ *The Best Global Brands*, BusinessWeek
- ✓ *Tangible Marketing: Influencing Customer Choice* (product positioning strategy), Sales & Marketing Management
- ✓ *Building a Better Brand* (the value of building a strong brand), BusinessWeek
- ✓ *What Makes an Iconic Brand?*, MillwardBrown
- ✓ *High-End Fashion Names at a Low-End Price* (new brand for different market), NPR
- ✓ *Jogging Down the Comeback Trail* (trying to revive an old brand of sneaker), San Diego Union Tribune
- ✓ *Fine-Tuning a Brand's Signature Sound*, BusinessWeek
- ✓ *Building a Brand Around a Personality*, WSJ StartupJournal
- ✓ *What's in a Name?* (considerations when naming products,) BusinessWeek
- ✓ *What Price a Strong Brand?* (estimating brand value), Millward Brown
- ✓ *Great Brands Never Rest* (steps to building strong brands), Target Marketing Magazine
- ✓ *Burger King of Cool?* (positioning a brand), USA Today
- ✓ *Brands Produce Their Own Shows*, New York Times
- ✓ *Building a Strong Brand: The ID Branding Framework* (extensive article on components of brand building), AllAboutBranding
- ✓ *Branding That Makes Scents*, BrandChannel
- ✓ *Best Global Brands* (the strategy behind the top global brands), BusinessWeek
- ✓ *Sticky Branding* (different angle on brand loyalty), ClickZ
- ✓ *Senses Cue Brand Recognition*, BrandChannel
- ✓ *Bring Brands into M&A Discussion* (finacial analysis of brands), Mercer Management Consulting
- ✓ *Bringing Back Brand Loyalty* (consumer electronics industry), ElectronicNews
- ✓ *Branding, a Job Well Done* (non-advertising ways for building brand), BrandChannel
- ✓ *A Lesson About Branding* (creative slogan and logo), WSJ Startup Journal
- ✓ *How to Build a Breakaway Brand* (lessons from 10 companies), Fortune
- ✓ *Extending an Elite Brand*, WSJ Startup Journal
- ✓ *Obsessive Branding Disorder*, FastCompany
- ✓ *Lose the Jargon, Voice Your Brand* (consistent communication), brandchannel.com
- ✓ *A Bad Move on a New Logo* (logo critique), BusinessWeek

Appendices

Annex 1: The 100 top brands ranking 2007 report, Interbrand, JPMorgan Chase & Co., Citigroup, Morgan Stanley, *BusinessWeek*

Annex 2: Brand management process questionnaire copy.

THE 100 TOP BRANDS

Here's how Interbrand calculates the power in a name

INTERBRAND TAKES many ingredients into account when ranking the value of the Best Global Brands. Even to qualify for the list, each brand must derive at least a third of its earnings outside its home country, be recognizable outside of its base of customers, and have publicly available marketing and financial data. Those criteria eliminate heavyweights like Visa, which is privately-held, and Wal-Mart, which sometimes operates under different brand names internationally. Interbrand only ranks the strength of individual brand names, not portfolios of brands, which is why Procter & Gamble doesn't show up. Airlines are not ranked because it's too hard to separate their brands' impact on sales from factors such as routes and schedules. And this year, Interbrand removed pharmaceutical brands from the ranking because consumers typically relate to the product rather than the corporate brand. Insurance companies were added because they have begun to differentiate themselves and create household names.

***BUSINESSWEEK* CHOSE** Interbrand's methodology because it evaluates brand value in the same way any other corporate asset is valued—on the basis of how much it is likely to earn for the company in the future. Interbrand uses a combination of analysts' projections, company financial documents, and its own qualitative and quantitative analysis to arrive at a net present value of those earnings.

STEP ONE is calculating how much of a company's total sales fall under a particular brand. In some cases the brand encompasses nearly all sales, as with McDonald's. In others it is tied to only one set of products: Marlboro within Altria Group. Using reports from analysts at JPMorgan Chase, Citigroup, and Morgan Stanley, Interbrand projects five years of sales and earnings tied to each brand's products and services.

STEP TWO is calculating how much of those earnings result from the power of the brand itself. To do this, Interbrand strips out operating costs, taxes, and charges for the capital employed to arrive at the earnings attributable to intangible assets. The brand's role is then estimated within those earnings vs. other intangible assets such as patents and management strength.

FINALLY, those future earnings are discounted to arrive at a net present value. Interbrand discounts against current interest rates and also against the brand's overall risk profile to factor in brand strength. Considerations include market leadership, stability, and global reach—or the ability to cross both geographic and cultural borders. The final result values the brand as a financial asset. *BusinessWeek* and Interbrand believe this figure comes closest to representing a brand's true economic worth.

RANK 2007	RANK 2006	BRAND	2007 BRAND VALUE $MILLIONS	2006 BRAND VALUE $MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
1	1	COCA-COLA	65,324	67,000	–3%	U.S.	Still No. 1, but consumers' shift from soda in the West has hurt Coke. Success with Coke Zero hasn't made up for Coca-Cola Classic's continued loss of share.
2	2	MICROSOFT	58,709	56,926	3%	U.S.	The launch of its Windows Vista operating system, coupled with its Xbox game console, keeps the software giant's latest technology in front of consumers.
3	3	IBM	57,091	56,201	2%	U.S.	Big Blue's ads promise to make customers feel "special." With powerful software, servers, and sophisticated services, it's delivering.
4	4	GE	51,569	48,907	5%	U.S.	With big bets in China and an accelerating push to go green, GE aims to be the earth-friendly global brand.
5	6	NOKIA	33,696	30,131	12%	Finland	Nokia built its brand at both ends of the market, with high-end multimedia handsets for upscale buyers and low-priced phones for emerging countries.
6	7	TOYOTA	32,070	27,941	15%	Japan	Quality concerns have increased overall, but Toyota's reliability and its hybrid strategy are leaving auto rivals trailing.
7	5	INTEL	30,954	32,319	–4%	U.S.	Intel shored up its position as the world's leading chipmaker, but sub-brands such as the Viiv entertainment PC and Core processors failed to resonate.
8	9	MCDONALD'S	29,398	27,501	7%	U.S.	McDonald's continues to move beyond its burgers-and-fries image with a growing selection of healthy foods and stylishly remodeled restaurants.
9	8	DISNEY	29,210	27,848	5%	U.S.	Disney picks franchises it can sell throughout the Magic Kingdom, from movies to theme park rides. The strategy has paid off handsomely.
10	10	MERCEDES-BENZ	23,568	21,795	8%	Germany	New models have helped repair a badly dented reputation for quality, but sales are up only 1.8% for the first half of the year, trailing gains by rivals BMW and Audi.
11	11	CITI	23,443	21,458	9%	U.S.	The folding of the Citi umbrella logo demonstrates that strong brands can transcend their visual identity and continue to add value during transitions.
12	13	HEWLETT-PACKARD	22,197	20,458	9%	U.S.	HP last fall edged out Dell as the world's largest PC maker by market share. Sleek new laptops are helping boost its consumer business.
13	15	BMW	21,612	19,617	10%	Germany	It hit home runs with its revamp of the 3 Series and the Z4 coupe. But with Mercedes on the mend and Audi and Lexus coming on, it can't afford any mistakes.
14	12	MARLBORO	21,283	21,350	0%	U.S.	Its latest brand extension, Marlboro Menthol, is a hit, but smoking bans and the threat of higher taxes have hurt.
15	14	AMERICAN EXPRESS	20,827	19,641	6%	U.S.	Although still the preeminent credit-card brand, American Express' focus on points and co-branded cards could be risky to its long-term brand value.

RANK 2007 / 2006			2007 BRAND VALUE $MILLIONS	2006 BRAND VALUE $MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
16	16	GILLETTE	20,415	19.579	4%	U.S.	Gillette owns the men's shaving category by innovating and spending heavily on advertising. Future growth depends on the women's shaving business.
17	17	LOUIS VUITTON	20,321	17,606	15%	France	The world's most powerful luxury brand rolls on, expanding in China and other emerging markets as it introduces Vuitton-branded jewelry and eyewear.
18	18	CISCO	19,099	17,532	9%	U.S.	Although its presence on the Internet is mostly behind the scenes, the networking giant continues to invest in pricey image ads in advance of a bigger push into consumer gear.
19	19	HONDA	17,998	17,049	6%	Japan	Small, fuel-efficient cars and big investments in hybrids, "clean" diesels, and other green technologies make Honda a darling of the environmentalists.
20	24	GOOGLE	17,837	12,376	44%	U.S.	Despite fears of Google's growing power as it moves into services beyond search, the brand still appeals to consumers and businesspeople.
21	20	SAMSUNG	16,853	16,169	4%	S. Korea	Samsung is the leader in LCD panels and now No. 2 in mobile phones. But last quarter's results were tepid and next year could be tougher.
22	21	MERRILL LYNCH	14,343	13,001	10%	U.S.	Merrill's push into private equity and Asia solidifies the firm's position as a global brand that spans brokerage, investment banking, and wealth management.
23	28	HSBC	13,563	11,622	17%	Britain	Despite becoming embroiled in the subprime mortgage mess, global demand for credit cards, mortgages, and loans continues to drive growth.
24	23	NESCAFÉ	12,950	12,507	4%	Switzerland	Expanding beyond instant java, Nescafé is introducing upmarket coffee-based drinks. In Europe, it rolled out Dolce Gusto, a coffeemaking machine.
25	26	SONY	12,907	11,695	10%	Japan	The success of the Sony-Ericsson mobile phones, flat-panel TVs, and digital cameras have helped mitigate a rough start with the Playstation 3.
26	22	PEPSI	12,888	12,690	2%	U.S.	While soft drinks are losing their fizz in the U.S. and Europe, Pepsi remains strong in growing markets such as India.
27	29	ORACLE	12,448	11,459	9%	U.S.	Skeptics had their doubts about Oracle's expensive acquisitions, but the moves seem to be paying off.
28	32	UPS	12,013	10,712	12%	U.S.	Its successful expansion across new markets throughout Europe and Asia is a testament to the consistency, strength, and recognition of "Brown," the brand.
29	31	NIKE	12,004	10,897	10%	U.S.	The innovative Nike+ Web site kept Nike on the cutting edge in sports. Meanwhile, business is up 40% in India, and China is growing fast, too.
30	27	BUDWEISER	11,652	11,662	0%	U.S.	Bud Light sales continued to grow, but the marquee product is under attack from imports and increasingly popular U.S. craft brews.
31	25	DELL	11,554	12,256	–6%	U.S.	While rivals Apple and HP climb, Dell continues to struggle. The company has pledged to shake up its consumer unit, recently launching laptops in bright colors.
32	33	JPMORGAN	11,433	10,205	12%	U.S.	JPMorgan has been critical to the growth of the hedge fund business, making a risky asset class acceptable to risk-averse investors.
33	39	APPLE	11,037	9,130	21%	U.S.	Can you say iPhone? From innovative products to memorable ads, few companies know how to tug the heartstrings of digital consumers the way Apple does.
34	34	SAP	10,850	10,007	8%	Germany	SAP is penetrating the midsize company market, but its image could be hurt by an admission that a U.S. subsidiary improperly downloaded documents from rival Oracle.
35	37	GOLDMAN SACHS	10,663	9,640	11%	U.S.	Goldman maintains its position as Wall Street's gold standard, and leads the pack by raking in investment banking advisory fees and private investments.
36	35	CANON	10,581	9,968	6%	Japan	Technology developments in its pro-level cameras and its computer peripherals are helping Canon keep its advantage against competitors.
37	36	MORGAN STANLEY	10,340	9,762	6%	U.S.	Morgan Stanley is revving up its asset and wealth management services to bring more high-octane investments to wealthy individuals.
38	41	IKEA	10,087	8,763	15%	Sweden	Swedish for style, Ikea has made design affordable for the masses. A renewed push into Japan and expansion in China is fueling growth.
39	42	UBS	9,838	8,734	13%	Switzerland	The "You & Us" brand campaign attracted high-net-worth individuals to its wealth-management business. But the departure of the CEO and subprime woes could hurt this year.
40	40	KELLOGG'S	9,341	8,776	6%	U.S.	Having pledged not to market sugary foods to kids under 12, Kellogg is using its innovation machine to turn out more nutritious products.
41	30	FORD	8,982	11,056	–19%	U.S.	While new CEO Alan Mulally searches for a global CMO, he is selling ill-fitting luxury divisions to concentrate on the Ford brand worldwide.
42	48	PHILIPS	7,741	6,730	15%	Netherlands	After ditching its volatile semiconductors unit, Philips is focused on becoming a health and lifestyle technology powerhouse.
43	44	SIEMENS	7,737	7,828	–1%	Germany	Improved profitability and a more focused corporate structure is offsetting the negative effects of a management turmoil caused by a bribery scandal—for now.
44	51	NINTENDO	7,730	6,559	18%	Japan	The launch of the Wii transformed Nintendo from a quirky also-ran in game consoles into the market's innovation leader.

RANK 2007 / 2006			2007 BRAND VALUE $MILLIONS	2006 BRAND VALUE $MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
45	45	HARLEY-DAVIDSON	7,718	7,739	0%	U.S.	Long a brand-management model, Harley is looking to Generation X and Y before baby boomers get too old to mount up.
46	46	GUCCI	7,697	7,158	8%	Italy	It has come a long way from men's loafers, with a fast-growing network of global boutiques selling designer Frida Giannini's knitwear and accessories.
47	NEW	AIG	7,490	New	New	U.S.	The insurer is pushing harder to make a name. Its sponsorship of Manchester United puts AIG in front of millions of fans throughout Asia and Europe.
48	47	EBAY	7,456	6,755	10%	U.S.	As its core auction business has slowed, eBay has used savvy advertising like the "It" campaign to keep its brand current.
49	NEW	AXA	7,327	New	New	France	A push by this French insurer to raise its profile has paid dividends, as it debuts on the list for the first time this year.
50	49	ACCENTURE	7,296	6,728	8%	Bermuda	Of all of the Western IT services giants, Accenture has done a superior job at using low-cost Indian outfits to accentuate its consulting skills.
51	53	L'OREAL	7,045	6,392	10%	France	The global No. 1 beauty-products company is ringing up healthy sales of skin-care products targeting older women, while experimenting with new ideas.
52	50	MTV	6,907	6,627	4%	U.S.	Despite a slip in U.S. ratings and threats from MySpace, MTV continued to be a leader in defining youth culture, thanks to its global presence.
53	54	HEINZ	6,544	6,223	5%	U.S.	By focusing on more individual marketing efforts such as art competitions for ketchup packets, Heinz is giving its brand more personality.
54	56	VOLKSWAGEN	6,511	6,032	8%	Germany	New models are selling in Europe and Asia. But it has to show it can conquer the U.S. market with something besides the aging Beetle.
55	55	YAHOO!	6,067	6,056	0%	U.S.	After losing momentum and a CEO during the past 12 months, Yahoo must retool its search ad business and its brand image as well.
56	57	XEROX	6,050	5,918	2%	U.S.	Investing in research that will help the paper industry better manage forest land is Xerox' attempt to demonstrate environmental responsibility.
57	58	COLGATE	6,025	5,633	7%	U.S.	Going beyond traditional ads and in-store promotions, Colgate has stepped up attempts to build relationships with dental professionals.
58	61	CHANEL	5,830	5,156	13%	France	CEO Maureen Chiquet boosted the consumer-research budget and is targeting younger customers by selling through avant-garde boutiques.
59	59	WRIGLEY'S	5,777	5,449	6%	U.S.	Strong growth in China and extensions into products such as mints and chocolates gave Wrigley's brand a bump.
60	60	KFC	5,682	5,350	6%	U.S.	China has an appetite for fried chicken, and KFC is now the country's biggest and fastest-growing restaurant chain, with 2,000 locations.
61	52	GAP	5,481	6,416	–15%	U.S.	The once-iconic brand failed to offer either the basics or trendy items that customers crave. It's now counting on a former high-end designer to reinvigorate its apparel.
62	65	AMAZON.COM	5,411	4,707	15%	U.S.	Finally viewed by consumers as the superstore it always tried to be, Amazon is adding cool, participatory Web services that may enhance its brand image.
63	63	NESTLE	5,314	4,932	8%	Switzerland	Although best known for chocolate, it's counting on other products, including baby foods and bottled water, to fuel future growth.
64	73	ZARA	5,165	4,235	22%	Spain	The best-known of Spanish parent company Inditex' stable of stylish clothing brands, Zara is opening stores—more than one a day—across the globe.
65	62	AVON	5,103	5,040	1%	U.S.	A dismal 2005 forced the elimination of 25% of its products and seven layers of management, but ad spending got an 83% boost in 2006.
66	68	CATERPILLAR	5,059	4,580	10%	U.S.	In addition to building durable equipment, Caterpillar builds customer loyalty by making service calls no matter how tough or remote the terrain.
67	67	DANONE	5,019	4,638	8%	France	Despite a nasty legal dispute with its Chinese partner, sales of dairy products and bottled water are booming. It sold its cookie business to Kraft Foods.
68	74	AUDI	4,866	4,165	17%	Germany	A slew of dream machines such as the A5 coupe, TT roadster, and R8 sportscar is polishing Audi's image as a serious rival to BMW and Mercedes.
69	71	ADIDAS	4,767	4,290	11%	Germany	Building on a boost from the 2006 World Cup in Germany, Adidas showed it could exploit star endorsers like David Beckham on the Internet as well as on TV.
70	64	KLEENEX	4,600	4,842	–5%	U.S.	Because it has failed to articulate a difference between the Kleenex brand and other tissues, consumer demand has been waning.
71	72	ROLEX	4,589	4,237	8%	Switzerland	Still the benchmark for luxury watches, its strong performance in China has further burnished the brand.
72	75	HYUNDAI	4,453	4,078	9%	S. Korea	Having improved the quality and reliability of its cars, Hyundai is pushing to go upscale by introducing premium models.
73	81	HERMÈS	4,255	3,854	10%	France	Playing catch-up with Vuitton, the Paris leather-goods house plans to triple its network of boutiques in China over the next five years.

RANK 2007 / 2006			2007 BRAND VALUE $MILLIONS	2006 BRAND VALUE $MILLIONS	PERCENT CHANGE	COUNTRY OF OWNERSHIP	DESCRIPTION
74	66	PIZZA HUT	4,254	4,694	–9%	U.S.	Americans still love pizza, but the chain hasn't been able to differentiate itself effectively from rivals or competing grocery-store pies.
75	80	PORSCHE	4,235	3,927	8%	Germany	The revamped 911 sports car and posh $70,000 Cayenne SUV have stoked a 10-year winning streak.
76	78	REUTERS	4,197	3,961	6%	Britain	CEO Tom Glocer has turned the venerable news-agency-cum-financial-data-provider around and merged it with Thomson making it a big player in data.
77	69	MOTOROLA	4,149	4,569	–9%	U.S.	Motorola's failure to follow its Razr with another hit cell phone was exacerbated by the death of the company's chief marketer, Geoffrey Frost, in late 2005.
78	77	PANASONIC	4,135	3,977	4%	Japan	Panasonic enjoyed robust sales in the plasma TV category. Improved customer support and product development have also aided the company's turnaround.
79	82	TIFFANY & CO.	4,003	3,819	5%	U.S.	Sales have been hot, thanks largely to cheaper silver jewelry. That could hurt the little blue box's premium cachet.
80	NEW	ALLIANZ	3,957	New	New	Germany	It fostered goodwill by plastering its name on a World Cup soccer stadium while sponsoring events such as the 2006 India-Pakistan Cricket Test Series.
81	85	ING	3,880	3,474	12%	Netherlands	Innovative home mortgages and insurance and investment in the Renault F1 team combine a state-of-the-art image with high earnings for this financial institution.
82	70	KODAK	3,874	4,406	–12%	U.S.	In spite of new digital cameras and entering the ink-jet printer business with inexpensive ink technology, the Kodak brand continues to lose luster.
83	86	CARTIER	3,852	3,360	15%	France	Its ultra-premium jewelry and watches are selling briskly. Cartier is also expanding its range of lower-priced goods such as perfume and sunglasses.
84	76	BP	3,794	4,010	–5%	Britain	Oil spills in Alaska and a disastrous 2005 refinery explosion in Texas have undermined the promise of "Beyond Petroleum."
85	87	MÖET & CHANDON	3,739	3,257	15%	France	Product innovations, such as smaller package sizes and a new line of Flower Rosé champagnes, helped keep the sparkle in Moët sales.
86	79	KRAFT	3,732	3,943	–5%	U.S.	Kraft has something in the pantry of 199 out of every 200 homes in America. Problem is, many of these brands—think Jell-o or Velveeta—are old and tired.
87	83	HENNESSY	3,638	3,576	2%	France	Its popularity with hip-hop singers fueled spectacular growth in recent years, but now the cognac needs to find new fans.
88	91	STARBUCKS	3,631	3,099	17%	U.S.	With 2,400 new stores opening globally in 2007, Starbucks continues to make itself the world's ubiquitous coffee shop.
89	84	DURACELL	3,605	3,576	1%	U.S.	World Cup and festival sponsorships have built traction with consumers, but Duracell faces a tough road. Batteries are a commodity category rife with imitators.
90	88	JOHNSON & JOHNSON	3,445	3,193	8%	U.S.	Facing a saturated U.S. market for its famed baby goods, J&J is searching for markets in developing countries such as China and India.
91	93	SMIRNOFF	3,379	3,032	11%	Britain	Despite mixed success with new bottled drinks like Raw Tea and Smirnoff Ice, Smirnoff continues to be the No. 1 vodka brand worldwide.
92	92	LEXUS	3,354	3,070	9%	Japan	New high-powered hybrids keep Lexus at the forefront of the U.S. luxury market, but European and Japan German marques are formidable rivals.
93	89	SHELL	3,331	3,173	5%	Britain	Shell was damaged by a scandal over overstated reserves, but it is back on track in a strong oil market.
94	96	PRADA	3,287	2,874	14%	Italy	Playing on its trendsetting image in Italian-chic bags, shoes, and clothing, Prada is pushing the frontier of brand extension with the LG Prada phone.
95	98	BURBERRY	3,221	2,783	16%	Britain	Revenues and margins are on the rise as the label focuses more on higher-end accessories such as handbags and perfumes, where the margins are big.
96	99	NIVEA	3,116	2,692	16%	Germany	Nivea extended its familiar blue-and-white packaging to new products, such as an anti-cellulite cream, while pushing into emerging countries.
97	94	LG	3,100	3,010	3%	S. Korea	The recent launch of super-premium mobile phones is helping LG make an end run around cost wars.
98	90	NISSAN	3,072	3,108	–1%	Japan	A reliance on larger, less fuel-efficient vehicles has hurt Nissan's environmental credentials, but new models may bolster the company's brand.
99	NEW	POLO RL	3,046	New	New	U.S.	On its 40th anniversary, Ralph Lauren's iconic American fashion brand is looking to expand its reach in emerging markets.
100	NEW	HERTZ	3,026	New	New	U.S.	After separating Hertz from Ford, private equity owners have been slashing costs. Travel agents and customers are worried the cutbacks could hurt service.

The brand valuations draw upon publicly available information, which has not been independently investigated by Interbrand. Valuations do not represent a guarantee of future performance of the brands or companies.
Data: Interbrand, JPMorgan Chase & Co., Citigroup, Morgan Stanley, *BusinessWeek*

Questionnaire

BRAND MANAGEMENT PROCESS: HOW TO BUILD, MEASURE AND MANAGE BRAND EQUITY.

We are conducting a short interview concerning consumer opinions about McDonald's fast-food restaurants chain. This survey represents a crucial part in our dissertation of end of studies in the 2nd cycle of the High International Institute of Tourism in Tangier.

A. I'm: ☐ years old ☐ feminine ☐ masculine

B. In my daily life I'm:
- Very interested about brands ☐
- Interested about brands ☐
- Not interested about brands ☐
- I don't know ☐

C. For fast-food and snacks:
- I don't mind about the brand ☐
- I prefer to buy a well-known brand ☐
- I don't know ☐

D. What brands of quick-service restaurant chains are you aware of?
- Quick ☐
- KFC (Kentucky Fried Chicken) ☐
- McDonald's ☐
- Pizza Hut ☐
- Others ☐

E. When I say McDonald's, what are the first associations that come to your mind?
- Innovative ☐
- knowledgeable ☐
- Trustworthy ☐
- Likable ☐
- Concerned about their customers ☐
- Concerned about the society ☐
- Admirable ☐

F. Have you eaten in a McDonald's restaurant in the last week?
Yes ☐ No ☐

Please indicate your agreement with the following statements: (note from 1 to 5)

G. How favorable is your attitude toward McDonald's? ☐
H. How well does McDonald's satisfy your needs? ☐
I. How likely would you be to recommend McDonald's to others? ☐
J. To what extent does thinking of McDonald's bring back pleasant memories? ☐

K. Does McDonald's give you a feeling of…?
- Kindness ☐
- Fun ☐
- Pleasure ☐
- Safety ☐
- Social appreciation ☐
- Self-esteem ☐

L. To what extent do you feel the following product characteristics are descriptive of McDonald's (1= strongly disagree & 5= strongly agree)

☐ Has quick service ☐ Has clean facilities
☐ Is for all the family ☐ Has delicious food
☐ Has a varied menu ☐ Has friendly staff
☐ Offers fun promotions ☐ Has a stylish look

M. Write Y (yes) or N (no) to indicate your agreement with the following situations:

☐ I really love McDonald's ☐ McDonald's is more than a product to me
☐ I buy McDonald's whenever I can ☐ I'm proud to have others know I eat at McDonald's

We hope that it was an interesting experience and we thank you for your collaboration.