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Brands and Brand Equity

ROHIT DESHPANDÉ
Harvard Business School

ANAT KEINAN

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Rohit Deshpandé, Sebastian S. Kresge Professor of Marketing at Harvard Business School, and Anat Keinan, Associate Professor, Marketing, Boston University Questrom School of Business, developed this Core Reading with the assistance of writer Jennifer LaVin.

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1 INTRODUCTION

When you think about branding, what first comes to mind? Most likely, you picture a logo, a brand name, a symbol, a character, or a tagline associated with a well-known product—the Coca-Cola script, the Apple logo, a Starbucks coffee cup, the Nike swoosh. While these ***branding elements*** are important for identifying and differentiating a product or service, they are only part of a company's overall branding strategy. This reading will explore how a branding strategy is created and, in the process, will illustrate why that strategy is critical to an organization's overall competitiveness.

> The American Marketing Association defines the word 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 competitors."

The term *branding* originated from the practice of branding cattle with a mark of identification to claim ownership.[1] As market economies developed globally, people selling goods began using brands to differentiate their products from the goods made by others, some using signatures and some using more abstract symbols and designs. This branding played an important informational role, by assuring customers of the quality and workmanship of the product based on reputation or previous experience with the manufacturer, reducing the time and effort needed to make purchasing decisions, and reducing the risk in the purchasing choice.

Over the past century, brands have become major players in modern society, penetrating all aspects of our lives. While traditional definitions of branding highlight the identification or marketing function of a brand, they sometimes underestimate the critical ways a brand infuses a purchase situation with meaning. To manage brands effectively, we must understand the meaning and utility of brands for consumers, producers, and society. Brands serve multiple purposes for consumers. While some of these purposes are informational and cognitive, brands can also serve psychological, emotional, and ego-expressive needs by acting as symbols that express values and identities. Global brands have become powerful markers to express personalities, status, lifestyles, social class, ideologies, and a variety of other social identities. Manufacturers reap benefits as brands foster increased consumer awareness and emotional

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engagement, while also commanding premium prices and often reducing marketing costs. Brands have also become necessary tools for creating competitive advantage and barriers to entry for all types of businesses. While the examples presented in this reading primarily focus on physical goods, branding can be applied almost anywhere that a consumer has a purchasing choice: services (FedEx, H&R Block tax services), stores (Nordstrom, Sainsbury's), a person (Oprah, Lady Gaga), a place (Las Vegas, The Bahamas), an organization (UNICEF, AARP), and even a commodity (the iconic Juan Valdez as the face of Colombian coffee for many decades).

Traditionally, branding was understood simply to be how an organization managed a product's image. Developments such as globalization, advances in technology, and social media, however, have empowered consumers in unexpected ways, opening previously unreachable markets, putting affordable technology into the hands of the masses, and enabling real-time communication on a global scale. For decades, communication had circulated mostly within the borders of countries, helping to build strong national cultures. Toward the end of the twentieth century, much of popular culture became global, prompting consumers to participate in a shared conversation, drawing on shared symbols. One of the key symbols in this conversation has been the global brand.[2]

As a result of these changing market forces and the emergence of truly global, iconic brands, branding has become one of the most important aspects of business strategy. Brands can outlive their individual products' life cycles, so brands are often a company's most valuable asset. In fact, some companies now list their *brand values* on their balance sheets, and, in recent product and corporate acquisitions, brands accounted for a large percentage of the purchase price. Consider when Tata Motors of India bought Jaguar and Range Rover from the Ford Motor Company. The $2.6 billion purchase price far exceeded the value of the factories, raw materials, and the collective experience of its employees. The remainder was the value of the brands. Likewise, when Kraft Foods purchased Cadbury for $19.5 billion, it didn't just purchase the chocolate, the factories, and the recipes. Above all, it bought the brand, with its rich history and sterling reputation.[3]

In this reading, we will examine the fundamentals of building, nurturing, valuing, and protecting brands by answering a variety of questions, including: Why is branding so crucial to an organization's success? How do organizations create strong, positive brands and calculate their value? How can organizations leverage and defend strong brands?

We will begin with an overview of the benefits of branding and how brands create such benefits. Then we will look more closely at how brands are built, leveraged, and defended, as well as at specific challenges organizations face in

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brand management. Finally, the Supplemental Reading will explore two emerging topics in the branding world: business-to-business (B2B) branding and personal branding.

2 ESSENTIAL READING

2.1 Strategic Importance and Significance of Branding

From a consumer perspective, good branding gives buyers confidence in their purchase decision, allows for cleaner interpretation and easier processing of information, and ultimately provides higher satisfaction in use. From a corporate perspective, it increases the effectiveness of marketing programs, enhances brand loyalty, allows higher prices and margins, provides greater leverage with distribution channels, and creates a significant competitive advantage.[4]

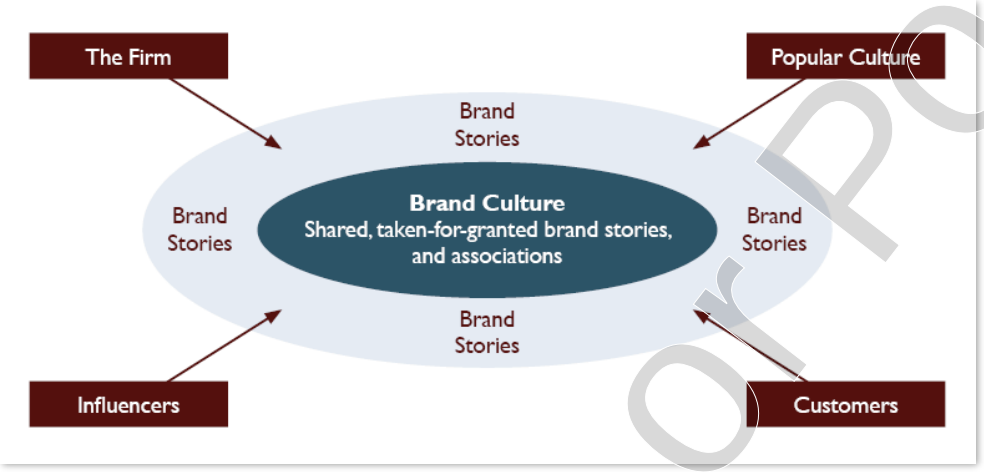
How do brands bring such benefits to companies and consumers? The concepts of ***brand culture, brand equity***, and ***brand value*** help us understand the business impact of brands.

Consider a newly introduced product. It has a name, a trademarked logo, and perhaps other unique design features, but the "brand" itself does not yet exist. Its name, logo, and design are all *markers* of the brand, but because the product does not yet have a history, these markers are empty. Conversely, famous markers like the bitten Apple, the Starbucks mermaid, the Nike swoosh, and the unique sound of a Harley-Davidson engine are rife with customer experiences, advertisements and corporate sponsorships, product placements, media reviews, social media posts, and word of mouth. Over time, ideas about the product accumulate and fill the brand markers with meaning. This meaning creates a *brand culture*[5] (see **Exhibit 1**).

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EXHIBIT 1 Brand Culture



Source: Douglas B. Holt, "Brands and Branding," 503-045, Boston, MA: Harvard Business School, 2003. Copyright © 2003 by the President and Fellows of Harvard College. Reprinted by permission.

Brand cultures evolve as various authors create stories that involve the brand. There are four primary types of authors: *the firm*, which shapes the brand through all of its product-related activities; *popular culture*, through use in film and television, celebrity endorsements, news events, and even parody; *customers*, who develop and share their own stories through product interaction; and *influencers*, or noncustomer opinion leaders. Influencers can be a diverse group who connect with consumers in a variety of contexts; they include experts writing in trade magazine and blog reviews, mavens and connoisseurs sharing opinions during work and social gatherings, and salespeople offering advice and help directly to retail shoppers.

Although marketers often think of branding at the individual level, what makes branding so powerful is the collective perceptions of a brand. As all the stories, images, and associations around a brand collide in everyday social life, a common story or consensus view emerges. Soon these stories, images, and associations become so continually reinforced and conventional that they are treated as fact, which creates tangible benefits in the form of significant brand equity and brand value.

Brand equity is often described as the set of assets linked to a brand's name that adds to or subtracts from the value of that product or service. Brand equity can be negative or positive. Negative brand equity causes customers to react *less* favorably to promotion of a product or service when the brand of that product or service is identified; positive brand equity causes customers to react *more* favorably to a product or service when the brand is identified. The assets that

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are the component parts of a brand's equity have been categorized by David Aaker as follows:[6]

- *Brand awareness*. Familiarity is the simplest form of brand equity; it gives consumers a feeling of confidence, thus making them more likely to consider the purchase. For example, a typical consumer walking into a grocery shop in a foreign country will likely choose a recognized brand product over entirely unknown brands sitting on the same shelf.

- *Perceived quality*. A known brand often conveys a sense of quality, either good or bad, real or perceived (see the sidebar "The Provenance Paradox"). This perception provides a point of differentiation and positioning, a reason to buy, grounds for higher pricing, increased channel interest, and possible line extensions.

- *Brand associations*. Beyond quality, more subjective and emotional associations are also important components of brand equity. Taken together, our associations with brands help us form a ***brand personality*** that suggests situations for which the brand is or is not appropriate. They help us process and retrieve information and create positive and negative attitudes and feelings. Think of a happy childhood memory, perhaps having Quaker oatmeal at a grandparent's house. Chances are, if given a choice, you would purchase Quaker over an alternative brand because of this pleasant memory.

- *Brand loyalty.* Perhaps the strongest measure of brand equity is loyalty (repeat buying, word of mouth). The benefits of brand loyalty are significant and come in the forms of reduced marketing costs, trade leverage, ability to attract new customers, and time to respond to competitive threats. Just think of iPhone users. Apple has to do very little publicity or advertising. Its loyal customers are known for waiting in annoyingly long lines to access its latest technology.

- *Other brand assets*. Other assets such as patents and trademarks contribute to brand equity, help create barriers to entry, and maintain competitive advantage.

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The Provenance Paradox

Having been exposed to many products over time, we, as consumers, naturally associate certain geographies with quality brands and products—France with wine, Italy with sports cars, Switzerland with watches. Conversely, competing brands from other countries, particularly developing markets, are frequently perceived as less authentic or of lower quality. Venezuela's Chocolates El Rey, for example, processes some of the best cacao beans in the world. The company commands a 30% price premium for its beans, the key raw ingredient in chocolate, which are bought by the great chocolate houses in Switzerland and Belgium for use in branded products that are sometimes priced more expensively than caviar. But El Rey chocolate is relatively hard to find outside its home market, and people aren't willing to pay a premium price for chocolate from South America when they have been conditioned to believe that great chocolate comes only from Europe. This provenance paradox, or country of origin effect, is a catch-22 that leaves companies like El Rey—and winemaker Concha y Toro in Chile, IT consultancy Infosys in India, and dozens of others—unable to price products in a way that generates the revenue needed to fuel global growth.

Source: Rohit Deshpandé, "Why You Aren't Buying Venezuelan Chocolate," *Harvard Business Review* 88, no. 12 (December 2010): 25–27.

Creating strong positive brand equity is the goal of brand management. Building an emotional connection between consumers and products is essential to strong brand equity, a process described by two standard branding models: the BrandDynamics Pyramid™ and the Brand Resonance Pyramid.

The BrandDynamics Pyramid™ (**Exhibit 2**), originally developed by Millward Brown, depicts brand building as a series of steps. Starting with presence (i.e., familiarity), a brand strengthens as it moves up to relevance (applicability to the consumer's needs), performance (belief that the product delivers on its promise), advantage (belief that the product has an emotional or rational advantage over other brands), and finally to bonding (consumers forming rational and emotional attachments to the brand to the exclusion of most others).

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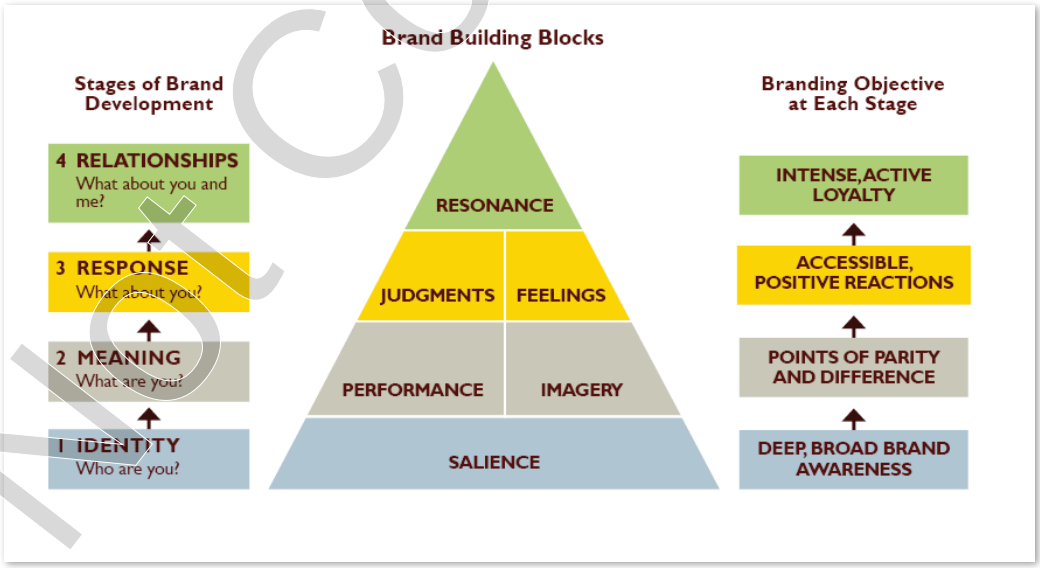
EXHIBIT 2 The BrandDynamics™ Pyramid



Source: Originally developed by Millward Brown. Used by permission of the Kantar Media Group.

Similarly, the Brand Resonance Pyramid (**Exhibit 3**), which was developed by Kevin Lane Keller, is a widely accepted model that also views brand building as a series of steps.[7]

EXHIBIT 3 Brand Resonance Pyramid



Source: Kotler, Philip T; Kelle, K, Marketing Management, 14th Ed., © 2012. Reprinted by permission of Pearson Education, Inc., New York, NY.

At the lowest level or the base of the pyramid, brand managers must first ensure that customers can identify the brand and associate it with a specific product class or need. This can be measured by how often and easily customers think of a brand under various consumption or purchase situations. Next, the

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product must meet the customer's functional needs through performance, while also meeting his or her social and psychological needs by linking the product to a host of tangible and intangible brand associations. Moving up, successful products must elicit positive customer responses (subjective opinions and evaluations, and also emotional responses and reactions) with respect to the brand. Finally, achieving "resonance" establishes a product or brand's relationship with consumers such that they feel a personal connection to the brand. Only when the customer has been successfully steered from identity to meaning to response to relationship, Keller believes, can brand response be converted into the intense and active loyalty that creates significant brand value (see the sidebar "The New Coke Fiasco").

The New Coke Fiasco

Coca-Cola is a favorite example of emotional branding. Despite its long history in the United States and its global popularity, the Coca-Cola Company made a bold move in 1985. Believing the Pepsi Challenge results, the company spent more than $4 million on "the biggest taste test ever" and created a new formulation of Coke, with which they were convinced they could soundly beat Pepsi. When New Coke was introduced, there were protests, nearly 8,000 complaint calls per day, organized letter-writing campaigns, and threats of a class action lawsuit. Ten weeks later, the company reintroduced their original formula as Coca-Cola Classic, sending the company's stock price to a new 12-year high. While market researchers had measured for taste, they had obviously failed to measure the emotional attachment customers had to Coca-Cola.

Source: Susan Fournier, "Introducing New Coke," HBS No. 500-067 (Boston: Harvard Business School Publishing, 1999).

This concept of achieving resonance in branding is also evident in advertising and promotion. As **Video 1** demonstrates, Google successfully increased the visibility of its search engine capabilities in its 2010 "Parisian Love" Super Bowl ad, not by mentioning 20 specific product characteristics directly, but by attempting to establish an emotional connection between the product and its consumers.

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VIDEO 1 How Google Markets with Emotion

Scan this QR code, click the icon, or use this link to access the video: bit.ly/hbsp2uphCxK

Brand value is a quantitative measurement of the financial value of a brand. Several leading firms, such as Interbrand, BrandZ, and Brand Finance, have developed models for calculating brand value, and each publishes a comprehensive report on the top brands each year (see **Exhibit 4**).

EXHIBIT 4 Top 10 Global Brand Value Comparisons in 2018

	Interbrand			BrandZ			Brand Finance		
		Value ($ billion)	**Change**		**Value** ($ billion)	**Change**		**Value** ($ billion)	**Change**
1	Apple	$214.480	16%	Google	$302.063	23%	Amazon	$150.811	42%
2	Google	155.506	10	Apple	300.595	28	Apple	146.311	37
3	Amazon	100.764	56	Amazon	207.594	49	Google	120.911	10
4	Microsoft	69.726	16	Microsoft	200.987	40	Samsung	92.289	39
5	Coca-Cola	57.853	–5	Tencent	178.990	65	Facebook	89.684	45
6	Samsung	43.682	6	Facebook	162.106	25	AT&T	82.422	–5
7	Toyota	40.062	6	Visa	145.611	31	Microsoft	81.163	6
8	Mercedes-Benz	39.385	2	McDonald's	126.044	29	Verizon	62.826	–5
9	Facebook	32.893	–6	Alibaba	113.401	92	Walmart	61.480	–1
10	McDonald's	30.280	5	AT&T	106.698	–7	ICBC	59.189	24

Sources: Interbrand "Best Global Brands 2018": https://www.interbrand.com/best-brands/best-global-brands/2018/ranking/ BrandZ™ Top 100 Most Valuable Global Brands 2018" http://www.millwardbrown.com/brandz/rankings-and-reports/top-global-brands/2018 (http://online.pubhtml5.com/bydd/rxhd/#p=4), and "Brand Finance® "Global 500 2018: The Annual Report on the World's Most Valuable Brands" https://www.brandfinance.com/knowledge-centre/reports/brand-finance-global-500-2018/ (https://www.brandfinance.com/images/upload/brand_finance_global_500_report_2018_locked_1.pdf), accessed August 2019.

Each firm takes a different approach to brand valuation:

- *Interbrand's* methodology takes into account the many ways a brand touches and benefits its organization and its stakeholders, from the impact of the brand on employees (e.g., attracting and retaining talent), to driving customer loyalty and appealing to prospects, to meeting investor expectations. There are three key aspects that Interbrand sees contributing to the brand value assessment: (1) the financial performance of the branded products or services, or their "economic profit" to the company; (2) the brand's role in the consumer's purchase decision, as measured by Interbrand's Role of Brand Index (RBI), whose value is derived from primary research, a review of the historical roles of the brand for companies in that industry, or an expert panel assessment; and (3) the strength of the brand, or the ability of the brand to create loyalty relative to direct competitors and to other world-class brands. This is measured on a 0-to-100 scale that is based on ten factors that Interbrand identifies as

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elements of a strong brand: clarity, commitment, governance, responsiveness, authenticity, relevance, differentiation, consistency, presence, and engagement. Interbrand also requires brands to be "global, visible, growing, and relatively transparent with financial results," which, it acknowledges, may exclude some familiar brands from its brand value ratings.[8]

- *BrandZ* bases its methodology on two key elements: first, financial value, which calculates the dollar value of the parent company current and future valuation that can be attributed to the brand; and second, "Brand Contribution," the brand's contribution to corporate value related to its influence over consumer decisions. The BrandZ™ valuation methodology relies on ongoing quantitative consumer research, covering over 3.7 million consumer interviews and more than 165,000 different brands in over 50 markets. The Brand Contribution value considers the brand's ability to drive current demand (influencing current consumers to choose it over others, generating volume share), price premium (leading consumers to pay more for the brand over others, generating value share and profit), and future demand and price (influencing consumers' future purchases or prospects' first-time purchases, increasing future volume and value). [9]

- *Brand Finance*'s methodology focuses on "the value a company would be willing to pay to license its brand as if it did not own it." This "royalty relief" approach estimates implied royalties for the brand. Establishing the royalty rate for a brand is done by calculating brand strength on a scale of 0 to 100, according to attributes such as financial value, brand equity, consumer connection to the brand, market share, and profitability, among others. A royalty rate range for the brand is set based on market data and is then applied to the forecast revenue to arrive at a net present value (NPV). The resulting brand value is then converted to a brand rating relative to its competitors on a scale from D to AAA.[10]

As you can see, each of these models uses both qualitative and quantitative measurements to calculate brand value, resulting in sometimes greatly differing valuations. Nevertheless, senior management frequently uses these tables to judge the *relative* success of their marketing efforts and to provide external validation for marketing budgets. In practice, this means that brand managers often cite the ranking that rates their own brand the highest (be it Interbrand, BrandZ, or Brand Finance). The firm then works on strategies to further boost its brand's rankings on the specific dimensions used to compile the chosen ranking methodology.

Next we explore how organizations build strong brands.

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2.2 Strategies and Tactics for Building, Leveraging, and Defending Strong Brands

Forty percent of all new products fail,[11] so developing a rich and detailed early brand strategy is critical. Yet there are no universal rules for designing brand strategies; building strong brands involves many challenging decisions. Most executives would agree, however, that brand strategies must be "engineered" consistently and continuously across the entire ***marketing mix***[12] and throughout the life cycle of the brand.

We will begin with a look at how organizations traditionally create and build brands that last. Then we will explore how the social media revolution and emergence of brand communities are changing the game in brand building.

2.2.1 Creating and Building a Strong Brand

Branding Basics

The term *brand* can represent many different types of products and services (see the sidebar "Branding Charity"). Some manufacturers choose to sell their products with no branding whatsoever. These *generic products* typically have no brand name and have plain labels, and the companies do little to no advertising to support the product. The most common example of a generic product today is in the pharmaceutical industry, where less expensive generic drugs are often substituted for more expensive branded products once the patents on the branded products have expired.

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Branding Charity

By the end of 2007, an estimated 33 million people were living with HIV worldwide, and the World Health Organization referred to the spread of AIDS as the "toughest health assignment the world has ever faced." In an effort to raise funds to increase awareness for the global crisis, activist Bobby Shriver and activist and musician Bono created the (RED) brand to support the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

In creating the brand, a former Clinton cabinet member advised Shriver and Bono to "be like Nike. . . . Brands like Nike go out and tell their story. They're on TV, in the malls, and everyday life. They understand how to create emotional impact. That's the way to get people's attention in America. You go the traditional route and build a conventional charity and maybe a few folks will notice, but it won't have any real impact. Iconic brands understand how to create real impact."

Partnering with large, global corporations, Shriver and Bono did just that. They created a different kind of charity, selling partnered products under the (RED) brand, shifting the donation burden from the consumer to the corporations, and, rather than working with a sympathy-driven model, provided a feel-good, (RED)-branded choice among products that consumers were already purchasing: clothing, music, and other common products from partners like Apple, Nike, Gap, and American Express.

By the end of 2007, (RED) had contributed $50 million to the Global Fund, enough to put more than 30,000 patients on HIV therapy and institute a variety of other health initiatives in Africa.

Source: Youngme Moon, Michael Norton, and David Chen, "(Product) RED (A)," HBS No. 509-013, (Boston: Harvard Business School Publishing, 2009).

But most manufacturers choose instead to market *national brands* (many of which become *global brands*) under brand names that are owned by that manufacturer or another producer. These national brands, or manufacturer's brands, are what we typically think of when asked to name a brand, for example, Ford Motor Company, Dell Computers, Pepsi. In contrast, many large wholesalers and retailers sell what are called *private brands,* or *private-label* products, placing their own brands on the shelf, often as a less expensive alternative to national brands. Supermarkets are well known for this approach, as is Walmart, which sells many product lines under the private label "Great Value" (see **Exhibit 5**).

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EXHIBIT 5 Walmart's Great Value Private Label



Source: Image from: http://news.walmart.com/news-archive/2009/03/16/walmarts-revamped-great-value-brand-delivers-affordable-quality-choices-when-consumers-need-them-most; used by permission of Wal-Mart Stores, Inc.

According to Boone & Kurtz[13] the growth of private brands has paralleled that of chain stores in the United States, with manufacturers such as Westinghouse and Heinz not only supplying retailers with their well-known branded products, but also generating increased income by producing private-label products for those same retailers.

A *family, master,* or *corporate brand* is typically a single brand name that identifies several related products. For example, Honda markets automobiles, lawn mowers, and motorcycles, all under the Honda name. Similarly, Canon sells printers, scanners, copiers, and cameras; Hershey's sells chocolate bars, candy, and baking products. However, manufacturers also market products under individual brands that uniquely identify the product, rather than the corporate brand. A standard example is Procter & Gamble, which markets hundreds of some of the best-known global individual brands, including Tide, Charmin, Ivory, Pampers, and Duracell. Some companies choose to do both: Hershey's not only sells Hershey's Bars, Hershey's Syrup, and Hershey's Cocoa, but also sells its line of Reese's products, Twizzlers, Kit Kat, and Ice Breakers breath mints; Toyota Motor Corporation sells not only its line of Toyota-branded automobiles (including the Camry, Prius, and 4Runner models), but also its Lexus brand, which is targeted at the luxury vehicle market segment (see the sidebar for a discussion of "Brand Architecture" within organizations).

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Brand Architecture: A Branded House or House of Brands?

Within companies, there is often an internal struggle when it comes to brands: diversify or standardize? The decision about how to brand numerous products within a given company depends on many factors and is extremely important in determining resource allocation and organizational structure.

Newer and smaller companies striving for brand recognition typically choose the branded-house strategy, focusing resources on increasing awareness of a single brand name across all products. This is certainly efficient in terms of managing the marketing mix and creating a consistent image, along with messages and values. However, this strategy can limit a company's ability to target a wide audience, limit product expansion opportunities, and leave a company with a tarnished reputation should a crisis affect just one product within the branded group.

Larger, more diversified companies often choose the house-of-brands strategy, creating distinct brand lines that target broad consumer audiences. Some companies even encourage internal competition, as Procter & Gamble does by owning Joy, Dawn, and Ivory dish detergents. While this might risk cannibalizing the products' own individual market shares, it also creates the opportunity to dominate a particular product category. Naturally, this strategy requires greater resources to manage a diverse product portfolio with multiple product images and accurate messaging.

Today, however, given the dynamic markets resulting from increasing rates of globalization, consolidation, and acquisition, most companies now employ hybrid, or house-blend, strategies. Disney is a great example of the use of the house-blend strategy. It expanded its G-rated movie focus to an R-rated audience through its acquisitions of Touchstone and Miramax. Google is also a good example. With the acquisition of YouTube by Google's parent company Alphabet, maintaining the YouTube brand despite its otherwise uniformly Google-branded products.

In addition, a *parent* or *umbrella brand* can create what are called ***brand extensions***, which leverage the association with the parent brand, such as Mars did with M&M's, Peanut M&M's, and Pretzel M&M's, or NBC did with *Law & Order, Law & Order: Special Victims Unit* (SVU), *Law & Order: Criminal Intent,* and *Law & Order: UK*.

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Products can be *co-branded*, as when Breyer's sells ice cream that incorporates Reese's Peanut Butter Cups. There are also *ingredient brands,* like the highly successful Intel Inside brand and logo that are typically contained within other branded products. The entirety of a company's product offerings is often called its ***product mix*** or ***product portfolio***.

Brand Elements

Clearly, the *brand name* plays a central role in establishing brand and product identity. Equally important are the other brand elements, such as the *brand mark* or *logo* (often a symbol or design to distinguish a product or company) and the *tagline* or *slogan* (words that describe or represent the brand or company in some way). Organizations that do it well integrate all three elements seamlessly into their branding. Perhaps the best example is Nike, whose iconic swoosh logo, "Just do it" slogan, and company named for the Greek goddess of victory all convey speed, strength, and empowerment, the very characteristics a sporting-goods company wishes to represent.

When choosing brand elements, Kotler and Keller suggest six criteria to follow.[14] The first three are considered to be internally facing and brand building, while the last three are considered to be more externally facing and defensive, and help leverage and preserve brand equity against challenges:

- *Memorable.* Brand elements, particularly brand names, should be easy to say, read, spell, and remember. Short brand names like Tide, Silk, Dove, Bold, and Gain do this well. Kotler and Keller suggest asking the following questions: How easily do consumers recognize and recall the brand? And when? At both purchase and consumption?

- *Meaningful.* A good brand name may also position a product well if it suggests the corresponding category, product ingredient, purpose, or type of customer that might use it. Consider Beautyrest mattresses, Drano drain cleaner, DieHard batteries, Caress soap, and Hungry-Man dinners. All brand elements must also be credible.

- *Likable.* The brand elements should leave consumers with a positive feeling about the brand. All elements should be aesthetically pleasing. Certainly, the trade characters of the Jolly Green Giant (representing canned and frozen vegetables) and the Snuggle Bear (representing soft, huggable fabric and clothing) accomplish this well.

- *Transferable*. Can the brand element introduce new products in the same or different categories? Does it add to brand equity across geographic borders and market segments? Given the global nature of 21st-century marketing, creating truly global brands can be quite challenging (see the

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sidebar “International Marketing Gaffes”).

- *Adaptable*. How adaptable and updatable is the brand element? In other words, can the name, logo, or tagline become dated quickly? Does it have only regional meaning?

- *Protectable*. How legally defensible are the brand elements? Can you trademark (protect) your name, mark, or trade character? Interestingly, when a class of products becomes widely known by the original brand name of a specific product, the brand name can become a generic name and the original owner can lose trademark protection. The words *nylon*, *aspirin*, *linoleum*, and *zipper* all once were protected brand names. Although many routinely refer to facial tissues as Kleenex (in the United States) and use the word *Hoover* as a verb meaning “to vacuum” (in England and Australia), those words have not lost trademark protection primarily due to defensive actions taken by their owners to clarify the proper use of the trademark.

International Marketing Gaffes

Sales of Clairol’s hair-curling iron “Mist Stick” did not do well in Germany, presumably because the word *mist* translates in German as “manure.”

Coors’ slogan “Turn it loose” was reputedly mistranslated into Spanish as “Get diarrhea.”

When Parker Pen marketed a ballpoint pen in Mexico, its ads were supposed to say, “It won't leak in your pocket and embarrass you.” Unfortunately “embarrass” was mistranslated with the Spanish word *embarazar*, creating an ad that stated: “It won't leak in your pocket and make you pregnant.”

Unique packaging also plays an important role in branding. Packaging serves the dual purpose of being both functional and promotional. Consider the shape of the Coca-Cola bottle or the Heinz ketchup bottle. Even if the bottles were stripped of their identifying labels, most consumers could likely identify the brands, making the packaging an integral part of the overall brand.

Like people, brands also have what is referred to as *brand personality*. This brand personality is defined as “the mix of human traits that we can attribute to a particular brand.” It is a useful feature to analyze because “consumers are likely to choose brands whose personalities match their own.”[15] Products are

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often described as sexy, cool, cheap, or elegant. Part of creating a brand personality is developing an identity for the product that will make it more attractive than the competition to consumers. Understanding and listening to consumers is key to matching this brand personality to the targeted audience. Grupo Modelo discovered this with its Corona beer, finally accepting that when companies embrace consumer rituals as part of their brand, the customer relationship thrives. (see **Video 2**).

VIDEO 2 A Wedge of Lime

Scan this QR code, click the icon, or use this link to access the video: bit.ly/hbsp2utt4sk

Packaging and brand personality are often tied together very closely. Consider Häagen-Dazs' initial historical, conservative, uniform packaging versus Ben & Jerry's colorful and playful ice cream cartons. The different personalities, and thus target audiences, come through very clearly by just looking at the product.

Jennifer Aaker has identified the following standard brand personality traits in the United States:[16]

- *Sincerity* (down-to-earth, honest, wholesome, and cheerful)
- *Excitement* (daring, spirited, imaginative, and up-to-date)
- *Competence* (reliable, intelligent, and successful)
- *Sophistication* (upper-class and charming)
- *Ruggedness* (outdoorsy and tough)

Aaker noted that products generally tend to fall into only one of these categories: Levi's into "ruggedness," CNN into "competence," Campbell's into "sincerity," for example. Aaker and others have found that consumers do not just choose brands consistent with their own actual self-concept, but also based on their *ideal* self-concept (how they would like to be seen), on others' concept of them (how they think others see them), and sometimes on multiple aspects of self that can vary in differing situations. Note, however, that cross-cultural differences exist across global markets: Research in both Japan and Spain revealed that "peacefulness" replaced "ruggedness" as a standard brand personality; and in Spain, "passion" replaced "competence."[17]

Along with establishing strong core brand elements, organizations need to create a *core brand message* that communicates the essence of the brand and defines its brand promise. This is the key message that a company wants to broadcast to all of its audiences. Companies that have clearly defined core brand

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messaging can use these strong frameworks not only to create solid foundations for making marketing decisions, but also to help develop the brand's strength and value to the organization.[18]

The more closely your core message reflects the reality of the brand and its brand positioning, the more effective your brand message will be. In crafting your message, Mike Moser suggests asking yourself the following questions:

- *Is the core message simple and clear enough?* If you read or describe it to someone, can they repeat it back to you accurately? If not, it is not simple enough. Remember, this is the core message on which all of your marketing decisions will be based. In addition to being meaningful to the consumer, the message must also be clear to the marketing directors, ad agencies, design firms, public relations agencies, website designers, event planners, product designers, salespeople, influencers, and anyone else who represents the brand in the marketplace.

- *Does it differentiate the brand in the marketplace?* The goal of the core message is to position the brand uniquely in the marketplace. If your brand message is too close to a competitor's message; if your competitor is outspending you; or if the core message is too generic in the category and there are larger, better-known companies in the space, your audience could walk away remembering your competition instead of your brand.

- *Is it true?* Believability is the biggest hurdle a company has to overcome when creating a core brand message. Which facts lay the foundation that you could use for your brand message? The old FedEx slogan, "When it absolutely, positively has to be there overnight," is derived from the "fact" of its overnight delivery service; "7-UP: The Uncola" derived from the "fact" that 7-UP's color and taste differ greatly from colas. These messages are clear, concise and believable, and they differentiate the products from the competition.

- *Is it relevant?* Relevance may seem an obvious checkpoint, but it isn't for a lot of companies. The core brand message should be relevant to the target audience, otherwise the messaging is lost. How many car commercials do you remember when you're not in the market for a car? The key to memorability is relevance.

- *Is it consistent with the organization's core brand values?* The core message is typically delivered at a point where you are letting people know who you are, and people are basing the beginnings of a brand relationship on that knowledge. If what you communicate is inconsistent with your corporate values, then the brand is in jeopardy.

- *Can you be the first to say it?* When FedEx advertised "When it absolutely, positively has to be there overnight," it wasn't the only company able to deliver on this promise. Other delivery companies including DHL, and even the U.S. Post Office could also do it. However, FedEx focused the brand on

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this one message, and ended up owning it. More important, FedEx made people believe it. The brand became synonymous with guaranteed overnight delivery.

The core brand message also contains the *brand promise*, or what you want (hope) the consumer will do/feel/gain when using the product (see the sidebar "GEICO's Promise"). More than anything, you want to reassure customers that when they buy the brand again tomorrow, the promise will once again be fulfilled.

GEICO's Promise

GEICO's now well-known brand promise is perhaps the most obvious: "Fifteen minutes could save you 15% or more on car insurance." Despite the fact that GEICO uses a wide variety of simultaneous advertising campaigns (the gecko, the cavemen, the hypothetical questions) and has tinkered slightly with its familiar message over time, its overarching core message is simple, differentiating, true, relevant, and consistent with the company's time- and money-saving values. In the crowded insurance marketplace, GEICO's messaging has reached its target consumers successfully.

Branding and Social Media

Social media has completely changed how consumers engage with brands and transformed the economics of marketing. It has made many of marketing's traditional strategies and structures obsolete. Today, consumers connect with myriad brands through new media channels that are often beyond the manufacturer's and the retailer's control or even knowledge. They evaluate an ever-shifting array of brands, often expanding the pool of choices before narrowing it. Then, after a purchase, these consumers sometimes remain aggressively engaged, publicly promoting or assailing the products they've bought, effectively collaborating in the brand's development, and challenging and shaping brand meaning.

Make no mistake: Consumers still want a clear brand promise and offerings they value. What has changed is *when* they are most open to influence and how marketers can interact with them at certain touch points. As a result, marketing strategies that traditionally put the lion's share of resources into building brand awareness, and then into opening wallets at the point of purchase, have been reexamined because of the way consumers are actually spending their time and how they adjust to these new points of contact. Research indicates that 70% to

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90% of marketing spending goes to promotions that hit consumers at the "consider" and "buy" stages, yet consumers are often more susceptible to influence postpurchase, at the "evaluate" and "enjoy/advocate/bond" stages. In other words, while the coolest banner ads and hottest viral videos may win consideration for a brand, weak product reviews, or worse, no online discussion mean that the brand will not likely survive the early stages of the purchase-decision process.[19] In fact, a Nielsen study reported 83% of consumers trust recommendations from other consumers, compared with 61% who trust brand advertising.[20]

Despite these facts, marketing spending in the area of social media remains low because of several factors, according to Sunil Gupta:

- *Cost and time.* Organizations fear that social media may require too many creative staff people and too much time.
- *Knowledge risk.* Senior managers are less familiar with new media, so they avoid it.
- *Incentive structure.* Advertising firms with traditional media expertise have strong incentives to maintain the current fee structure.
- *Measurement.* Gross rating points and click-through rates are often easier metrics to understand than pageviews or engagement.
- *Loss of control.* Marketers are accustomed to taking a top-down approach to brand positioning and fear losing control of their brands.

Gupta suggests connecting knowledge of social media with organizational strategy by considering questions such as: (1) Are you prepared to hear negative feedback about your brand? (2) Are you willing to change your brand based on feedback from consumers? (3) Are you prepared to be authentic and open? (4) Will brand advocates appear online and stimulate positive conversation?[21]

Armelini and Villaneuva, in their article "Adding Social Media to the Marketing Mix," caution:

> Before you rush out to conquer social networks, analyze your brand or product to see if it is capable of attracting the target audience and withstanding pressure. If, for some reason, you cannot act transparently, if your product is not the kind that generates conversations, or if there are reputational risks, such as a fair chance of generating hostile conversations, then perhaps you should hold back or keep a low profile.[22]

Dove represents a good example of a company willing to sacrifice control for higher consumer engagement and buzz around its brand. Through the launch of its "Campaign for Real Beauty" in 2004, Dove created a high level of engagement with its customers. While Dove's extensive use of social media exposed the

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brand to negative criticism and mockery (see any of the "Real Beauty" video spoofs on YouTube) and lessened Dove's control over the way the brand is perceived by the public, the company was rewarded for engaging consumers more deeply. This approach not only earned Unilever (which owns the Dove brand) multiple awards and significant publicity, but also, for every $1 spent on this campaign, Unilever garnered an estimated $3 in return. By the end of 2005, sales of Dove in the United States had increased by 13%.[23] The campaign later evolved from its "real beauty" focus to an emphasis on broader notions of beauty, self-esteem, and confidence, with taglines such as "My Beauty, My Say" and the Project #ShowUs crowdsourced campaign.

Brand Communities

Today, ardent consumers of particular brands can connect easily with like-minded people via the internet: online *brand communities* provide a forum to communicate with others who share an interest in a product or service. ***Brand community*** members tend to buy more, remain loyal, and reduce marketing costs through "grassroots evangelism."[24] In their article "Getting Brand Communities Right," Susan Fournier and Lara Lee discuss a number of myths and realities concerning brand communities, chief among them that, while companies tend to believe that they should tightly control such communities, brand communities in fact generate more value when members control them and when companies create conditions in which these communities can thrive.

Perhaps one of the most successful brand communities is represented by Harley-Davidson. Having twice narrowly escaped bankruptcy, Harley-Davidson now ranks in the top 100 global brands, valued by some at more than $5 billion. Fournier and Lee credit Harley-Davidson's success to its commitment to build a strong brand community around the lifestyle, activities, and ethos of the brand. The company has created an owner's club called the Harley Owners Group (H.O.G.), which sponsors bike rallies, charity rides, and other motorcycle events, and has attracted more than one million members, including sub-groups for Latinos (Harlistas), women, and military and veteran riders.[25]

Companies have also successfully built YouTube channels and Facebook pages through which they can highlight brand features and somewhat control content. Some channels work better. Home Depot has made some effort to connect with its customers through a presence on social networking platforms, where its YouTube videos appeal to do-it-yourselfers. However, a company that rarely responds to critics and comments ultimately leads to a low level of positive engagement.

As was the case with Dove's Real Beauty campaign, consumers, more often than not, take brand communities into their own hands. Beyond just providing

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reviews on websites such as Yahoo! or on Yelp, individuals with strong feelings have also created online communities and forums for discussion around certain brands. The results are not always favorable, as PayPal, Starbucks, Verizon and many, many others have discovered. Early research into these negative sites indicated that they have had little to no impact on the companies, and that management typically ignores the sites, preferring to comment via company channels. At one point, Walmart created a "Walmart Facts" page on its website to respond to consumer questions proactively.[26]

Despite the risks, brand communities are here to stay, and any comprehensive brand strategy must at least address them. Generating community enthusiasm requires an organization-wide commitment and a willingness to work across functional boundaries. Organizations need to reexamine everything, from their core values to their organizational design. They need to meet people on their own terms, cede control, and accept conflict as part of the package when engaging with such a potentially strategic asset as a branding community.

2.2.2 Growing and Maintaining Strong Brands

Through the introduction and growth phase, promotional spending is typically very high as companies test their early brand and marketing strategies, determining what messaging and advertising, price and product features, and distribution channels and product placements resonate best with target consumers. As a result, profit margins are usually slim at launch. A successfully launched product, however, will likely demonstrate increasing profit margins throughout its growth phase and contribute significantly to the earnings growth of its parent company. When a product reaches its peak growth phase, it is considered a *mature brand*.

Just as standard marketing activities evolve and adapt as products move through these phases, brand strategy must also evolve. When discussing brand creation, we discussed transferability as one of the key characteristics of a strong brand. One of the primary reasons for this lies in the subsequent ability of a company to create brand extensions and to continue to use the brand name across multiple generations of related products. For example, Coca-Cola, facing a mature market, took a chance and introduced Diet Coke in 1982, the first new product since 1886 to use the Coca-Cola trademark. While originally considered a risky move, in 2011 Diet Coke passed Pepsi in the United States to become the second most popular soda behind Coke.[27] Of course, the company has since introduced a plethora of brand extensions including Cherry Coke, Vanilla Coke, Caffeine-Free Coke, and Coke Zero, which have allowed Coke to stay relevant while also catering to different market segments (see the sidebar "Unsuccessful Brand Extensions").

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Unsuccessful Brand Extensions

In an attempt to capitalize on its strong brand name, Harley-Davidson released several short-lived new products carrying the company name in the 1990s, including a perfume and a line of wine coolers—products clearly the antithesis of the motorcycle maker's strong, tough brand identity. The company soon realized that overextending its brand with these "softer" products could severely damage the company's loyal (and very vocal) customer base.

In the early 1980s, Levi Strauss tried to introduce higher-end, more formal men's clothing (Levi's Tailored Classics and Levi's Action Slacks and Suits). Sales never caught on, probably because Levi is so well known as a "denim only" company and because it strayed too far outside its core competency and people's perception of the brand. Levi Strauss did realize great success, however, with its Dockers brand, establishing separate but complementary positioning for the line.

Campbell's is also considered a "narrow brand," known primarily for its Campbell's Soup. When the company tried to enter the spaghetti-sauce market under the Campbell's brand name, it realized little success until creating the Prego brand—again, a line that is separate but complementary to its main focus on soup.

Source: Matt Haig, *Brand Failures: The Truth About the 100 Biggest Branding Mistakes of All Time* (London: Kogan Page Limited, 2003), p. 67; Robert Sarwono, "The Effective Product Positioning Message," Trimitra Consultants, http://www.trimitra.com/articles/positioning.html, accessed August 12, 2019; Barbara Loken, "Shoring Up or Watering Down?: Brand Extension & Dilution," from a summary of a presentation at the Institute for Research in Marketing's *Carlson on Branding Conference*, May 19–20, 2006.

The Virgin brand has also emerged as a clear winner when considering brand extensions. What started as Virgin Records has expanded into a global empire in sectors ranging from mobile telephony to travel, leisure, financial services, and philanthropy. Sir Richard Branson, founder of the Virgin Group, is very clear about its corporate branding: "Virgin believes in making a difference. We stand for value for money, quality, innovation, fun, and a sense of competitive challenge. We strive to achieve this by empowering our employees to continually deliver an unbeatable customer experience." Virgin has successfully applied this brand personality across its various businesses, employing approximately 69,000 people in 35 countries.[28]

Another key reason for creating strong, transferable brands is the ability to gain access to global markets. Certainly, one advantage of global branding is ***economy of scale***, in which development costs and promotion can be spread over greater volumes of product. Companies can also enjoy greater brand awareness without the need for reeducation in different markets. Occasionally,

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however, a company needs to create a local brand because another company already has rights to the brand name in that region. For example, upon entering the U.S. market with Corona Beer, Grupo Modelo discovered a conflict with a Puerto Rican brewery, Cerveceria Corona. Until it purchased the brand from the brewery five years later, Modelo faced difficulties getting approval to sell Corona beer in many eastern U.S. states, and also had trouble developing a clear national sales and marketing plan for the brand.

Defending Your Brand

Throughout its life cycle, a brand faces threats on a number of levels, and managers need to be prepared to defend their brand.

Economic downturns can affect brand leadership because consumers often trade down, opting for less expensive brands over premium choices. Brand managers then must choose between two options: either temporarily lowering prices, sacrificing profits in the short term and risking brand equity in the long term, or holding the course, knowing they will lose some customers in the short term and hoping they will return when the economy improves. Given these unpleasant alternatives, some companies have instead chosen to launch what are called fighter brands. *Fighter brands* are created to combat and ideally eliminate low-price competitors, while protecting the premium-priced brands. Philip Morris used this strategy in 1998, when a sudden devaluation of the ruble quadrupled the price of its internationally produced Marlboro cigarettes in Russia, rendering them unaffordable to many smokers there. Rather than lose share to local competitors, the company concentrated its efforts on its locally made fighter brand, Bond Street. When the ruble's value returned to normal, consumers came back to Marlboro, which had retained its premium pricing and brand equity. Anheuser-Busch also achieved great success when it introduced Busch beer, a fighter brand that not only created a less expensive substitute for its more premium-priced products, but also opened up a new, lower-end market for the organization.[29]

Counterfeiting is another potentially damaging threat to a brand. The existence of products that use a brand name illegally not only puts downward pressure on the genuine product, but can also tarnish the reputation of the brand if the counterfeit good is of poor quality and the buyer unaware that it is fake. Manufacturers need to register their intellectual property at the global level to retain some chance of legal action against counterfeiters. In certain global markets, counterfeiting is quite common because the laws are weak or unenforced. Faced with these issues, a manufacturer may consider licensing the brand name in markets where it doesn't yet compete.

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Direct competition is the most commonly encountered threat to a brand and certainly the most difficult to deal with. Being a brand leader is an enviable position, where the brand enjoys high market share, customer loyalty, pricing power, and often additional time to respond to competitive threats due to consumers' resistance to switch. Recent studies have shown, however, that the half life of leading brands, or the length of time that brands dominate their category, has fallen significantly in recent years—from 29 to 52 years before 1995, to just 12 to 24 years from 1995 to 2010. Researchers correlate this drop with the increase in competition resulting from "mass-market Internet adoption." They also note that leadership persistence rates have recently begun to increase, perhaps due to brand managers successfully navigating the new environment. They maintain that managers need to "fight hard to retain leadership . . . as once a brand's leadership is lost, that loss is nearly always permanent."[30]

Clearly, maintaining brand leadership isn't easy. However, with constant measurement and engineering across the entire marketing mix, organizations have a fighting chance to stay on top.

Measuring Brand Success

Brands are intangible assets, and creating and nurturing a strong brand and subsequently measuring its value can be a challenge. Regular monitoring and consumer feedback is critical to maintaining a strong brand.

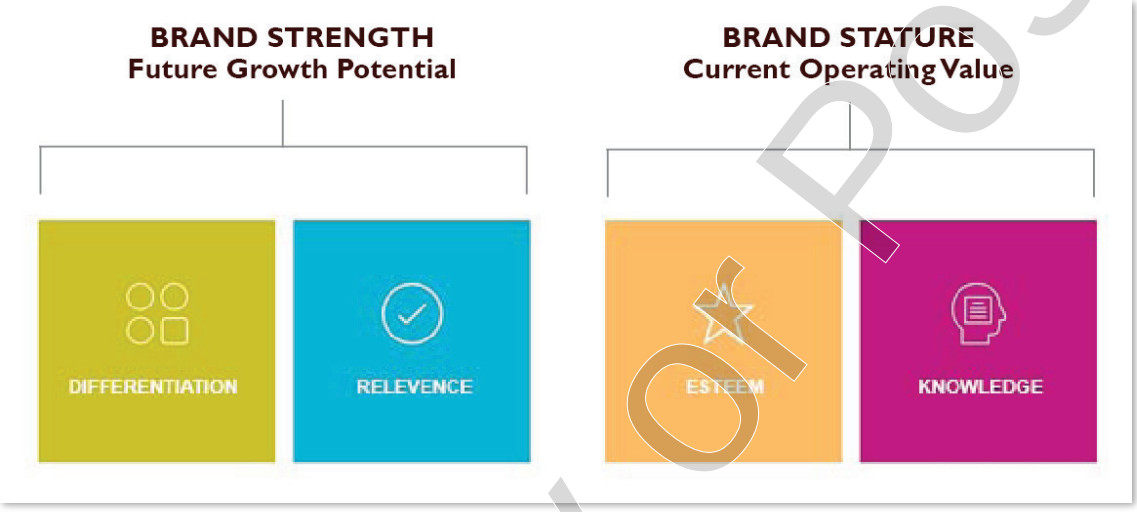
One method of measuring consumer perception of a brand is to create a *perceptual map*, or a two-dimensional representation of how consumers perceive competitive brands. By analyzing what characteristics are important to various consumer segments and how potential buyers rate all the alternatives on these attributes, companies can discover where their product stands in the minds of their customers. In aggregate, and if done over time, this type of segment analysis can be particularly useful for identifying unmet market needs and/or clarifying points of differentiation and competitive advantage. For more on perceptual maps, see *Core Reading: Brand Positioning* (HBP No. 8197).

The advertising agency Young and Rubicam (Y&R) developed a model of brand measurement called the BrandAsset® Valuator (BAV®) (see **Exhibit 6**). Since 1993, according to Y&R's BAV Group, the BrandAsset® Valuator has measured over 60,000 different brands on 75 consistent brand image and equity metrics. This data has accumulated across 50 countries, resulting in over nine billion data points.[31]

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EXHIBIT 6 BAV Group's BrandAsset® Valuator (BAV®) Model



Source: https://www.bavgroup.com/about-bav accessed August 12, 2019.

BAV measures Brand Strength and Brand Stature based on four "pillars" of measurement:[32]

- Differentiation: *A brand's ability to capture attention in the cultural landscape. A powerful driver of curiosity, advocacy and pricing power.*
- Relevance: *How appropriate and meaningful a brand is to consumers. Drives brand consideration and trial.*
- Esteem: *A measure of how highly regarded a brand is and how well it delivers on its promises. Leads to trial and commitment.*
- Knowledge: *The depth of understanding people have of a brand—both its positive and negative information.*

When plotted on a two-dimensional scale, the pillars form certain patterns that can be interpreted in a variety of ways. The BAV developers argue that these pillar patterns can reveal much about a brand's current and future status.

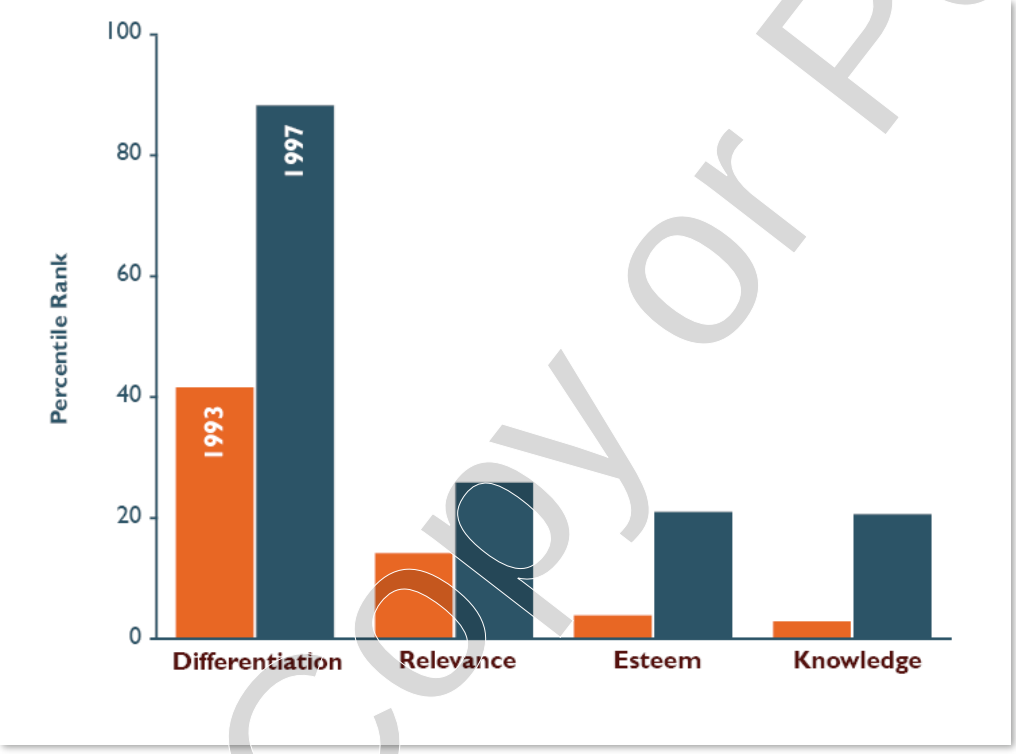
As an example, the pillar patterns for Starbucks (see **Exhibit 7**), compare data for the same brand in 1993 and 1997. Keep in mind that this information comes very early in the company's launch: In 1993, the very concept of premium coffeehouses was in its infancy and few people outside Seattle recognized the Starbucks name. But in 1993, the BAV model showed Starbucks with a healthy startup pillar pattern, with the first pillar (Differentiation) providing an early indicator of the brand's potential. When measured again in 1997, the first pillar was still gaining strength and the others had begun to rise, characteristics that the Y&R BAV model also indicates are signals of very strong brand potential. A

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strong brand is something we now know to be true of the currently mature and successful Starbucks brand.

EXHIBIT 7 BAV Pillars: Assessment of Starbucks in 1993 and 1997



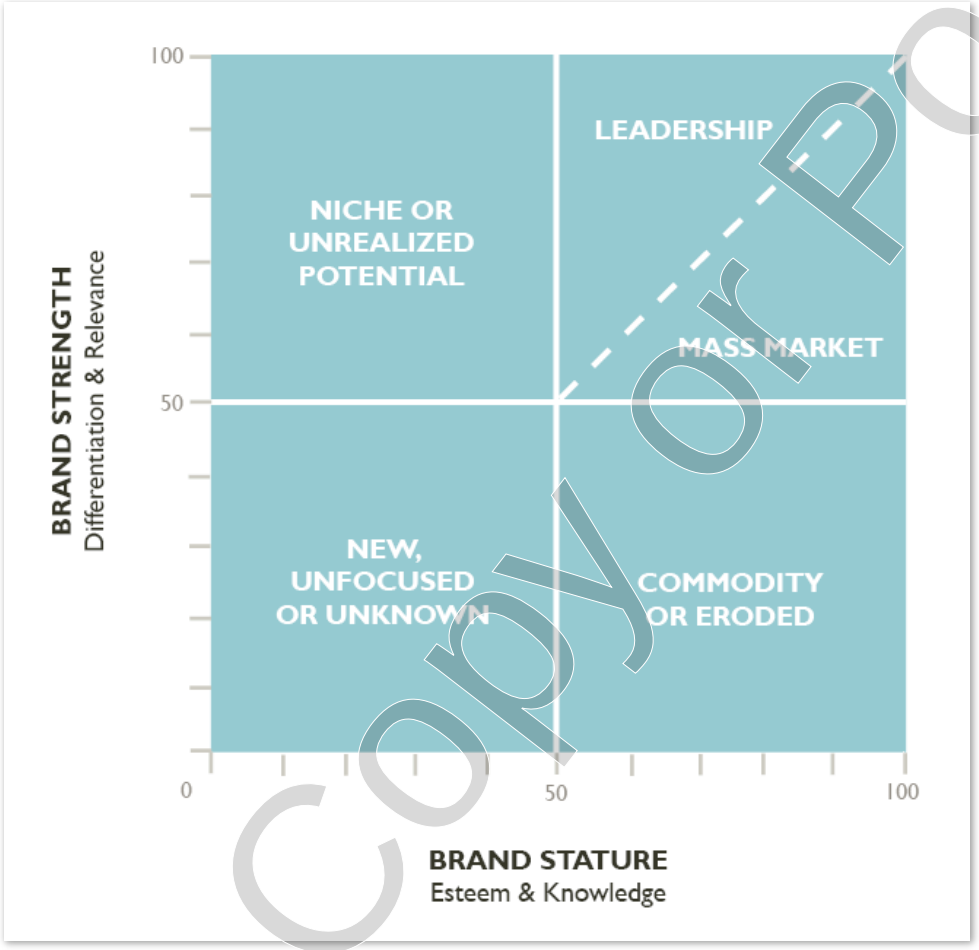
Source: "The Story of the Y&R BrandAsset Valuator Investigation," https://www.scribd.com/document/234753389/Y-R-s-BAV-Story, original source, Y&R BrandAsset™ Valuator, Young & Rubicam Inc. global website, 2000, accessed August 12, 2019.

The BAV Group also presents its data in an aggregate form, coupling differentiation and relevance to represent the brand strength, and coupling knowledge and esteem to represent the brand stature. These combined data create a "Power Grid" (see **Exhibit 8** for an example of a classic version of this matrix). The Power Grid is a four-quadrant matrix, with brand stature on the horizontal axis and brand strength on the vertical axis. The grid helps define the cycle of brand development, from "New" to "Commodity" or "Eroded" brands.

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EXHIBIT 8 BAV Power Grid



Adapted from: BAV Group, https://www.bavgroup.com/about-bav/brandassetr-valuator, accessed August 12, 2019.

On the power grid, brands beginning and ending their lives reside in the lower left-hand quadrant ("New, Unfocused, or Unknown"), where they are first establishing their differentiation and fighting to be recognized and, at the end, often suffering from an unfocused strategy. Pillar patterns for brands in this quadrant would be relatively lacking in both brand stature and brand strength, with low ratings in all four categories: differentiation, relevance, esteem, and knowledge. As the brand develops, it rises to the top left quadrant, growing in differentiation and relevance, but still with room to grow in the esteem and knowledge ratings. Brands can stay here, establishing themselves as niche players, or they can build on their strength to develop into leading brands and move to the upper right quadrant. The BAV Group maintains that this is where the strongest brands remain until they become commodity brands (high relevance, but little differentiation) or are no longer relevant or differentiated.

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At this point, they can move through the erosion stage and eventually on to failure.

Another tool to measure brand strength comes from Kevin Lane Keller, who developed the Brand Report Card[33] to evaluate how a brand stacks up on the ten traits that he believes the world's strongest brands share. Keller recommends that organizations rate their brands on a one-to-ten scale on each of the following attributes:

- *Ability to Deliver Benefits.* The brand creates an engaging customer experience and delivers benefits that customers desire.
- *Relevance.* Elements of the brand, such as the type of person who uses the brand, are modified to fit the times.
- *Value Perception.* The nature of the product—for example, premium versus household staple—influences its price.
- *Positioning.* The brand clearly communicates its similarities to and differences from competing brands.
- *Consistency.* Marketing communications don't send conflicting messages over time.
- *Brand Architecture.* All brands in the portfolio work together logically.
- *Brand Equity.* All marketing activities and channels communicate the same message about the brand, solidifying the brand's identity.
- *Brand Meaning.* Managers know consumers' different perceptions about the brand.
- *Internal Support.* Companies consistently invest in building and maintaining brand awareness.
- *Measuring Brand Equity.* Companies use a formal brand-equity-management system.

Keller recommends that organizations regularly rate their brands across these attributes and chart them on a bar graph to stimulate discussion among cross-functional teams to identify areas for improvement. Brand managers can also apply these criteria to their competition and perform a competitive analysis from a consumer perspective and/or management perspective.

Although extensive, this report card is a good representation of how all of the concepts introduced thus far tie together. It also illustrates well how branding must be integrated into the broader marketing function to be effective. Maintaining a strong brand means striking the right balance between continuity and change across all these dimensions. Such a report card can prove quite useful in identifying the actions needed to maximize brand equity across a product's life cycle.

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2.2.3 Managing Declining or Dying Brands

Despite an organization's best efforts, most brands do eventually decline and many fail. This outcome can have many underlying reasons: quality may have declined, price increased too much, price decreased too much, management may be neglecting the brand, the target markets' needs may have changed along with market trends and legal/regulatory actions, and competitive forces may emerge that make a product or technology obsolete. Take Polaroid and Kodak as examples. With the emergence of digital photography, the need for instant photographs and even printed photographs declined significantly. Despite its high brand awareness, Polaroid failed to recognize and evolve with these changing market dynamics and eventually filed for bankruptcy in 2008. Since that time, Polaroid has reinvented itself, abandoning analog products and focusing its efforts on digital media. It introduced the first digital camera/printer combination; launched an Android-based tablet aimed at children; and opened experimental, high-end retail stores. And Kodak, which initially adapted and invested successfully in new digital technology, filed for bankruptcy in 2012, divesting its historic core retail photography business almost entirely.[34] Both companies eventually returned to their brand heritages for new product launches in 2017, in an attempt to regain relevance and differentiation with a highly familiar brand.[35]

Companies often spend vast sums of time and money launching new brands; leveraging existing ones; acquiring rivals; and creating line extensions, brand extensions, and the like, but surprisingly few businesses take the time to examine their brand portfolios regularly. Yet keeping brands alive depends on periodic checks to see if the organization is selling too many brands, or to identify weak or unprofitable brands and decide whether to revitalize or kill them. In fact, research indicates that most brands are, in fact, unprofitable: Businesses earn almost all of their profits from a small number of brands—smaller even than the 80/20 rule of thumb, which suggests that 80% to 90% of profits derive from fewer than 20% of the brands an organization sells.[36]

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Unilever: Using the Portfolio Approach

Having acquired Best Foods in 1999, Unilever launched a brand rationalization program to prune its portfolio of more than 1,600 brands. The organization chose three main criteria: *brand power*, or the potential for the brand to become number one or two in its category; *brand growth potential*, or the potential to display growth based on the brand's current or future appeal to customers; and *brand scale*, or the perception that the brand is large and profitable enough to justify the marketing and support expense. After applying these criteria, Unilever successfully reduced its portfolio to its best 400 brands in a little more than a year.

Source: Nirmalya Kumar, "Kill a Brand, Keep a Consumer," *Harvard Business Review* 81, no. 12 (December 2003): 84–96.

How do you decide which brands to keep and which to kill? There are no standard rules to follow. David Aaker argues that "the revitalization of a brand is usually less costly and risky than introducing a new brand, which can cost tens of millions and will more likely fail than succeed."[37] This may be true if the product is still relevant and if its brand awareness and brand equity are high.

Nirmalya Kumar suggests a more systematic method of brand and portfolio analysis, a four-step process to optimize brand portfolios: making the case, pruning the portfolio, liquidating brands, and growing core brands:[38]

- *Making the Case.* The first priority is to get broad buy-in from managers at all levels of the organization and to conduct a brand audit involving a good cross section of senior executives analyzing global market share, sales, market positioning, geography, value proposition, and profitability to the company.

- *Pruning the Portfolio.* Organizations must then decide how many brands they want to retain.
  - The portfolio approach: Using this approach, companies choose to keep only those brands that conform to certain broad parameters. It is a top-down approach that can include criteria such as retaining only those brands that are number one or two in their segments, as measured by market share or profits, or keeping brands that display the potential to grow rapidly or that draw shoppers into stores (see the sidebar "Unilever: Using the Portfolio Approach").
  - The segment approach: Here, companies identify the brands they need in order to cater to all the consumer segments in each market. By identifying distinct consumer segments and assuming only one

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brand will be sold in each segment. For example, executives can infer the right size of the portfolio for a particular category.

- *Liquidating Brands.* After identifying which brands need pruning, the organization must then decide how to prune.
  - Merging brands: At times, merging brands can be preferable to dropping them entirely, especially when the brand targeted for elimination still has a solid customer base or when it occupies a niche that might grow in the future. Product features can be transferred to an existing brand. Old names can be dropped entirely, as Sandoz and Ciba Geigy did to form Novartis. Stronger brands can absorb others, as UBS did when acquiring Paine Webber. When brands are equally strong, names can be transitioned over time, at first using both names, as Morgan Stanley and Smith Barney did in becoming Morgan Stanley Smith Barney, until finally becoming just Morgan Stanley.

  - Selling brand assets: Naturally, it is difficult to sell an unprofitable brand. Smart companies realize that selling brands while they are profitable but no longer fit in with corporate strategy results in much greater valuation for the asset. In the early 2000s, Procter & Gamble strategically pared down its food businesses, selling its Jif peanut butter and line of Crisco products to J.M. Smucker Co.

  - Milking brands: Some brands up for deletion may still be popular with certain groups of consumers. If selling them is not possible because of either strategic or sentimental reasons, companies can "milk" the brands by sacrificing sales growth for profits. By stopping all marketing and advertising support, expenses can be kept to a bare minimum. As sales slowly wind down, companies maximize profits from these brands until they are ready to be dropped entirely. The Internet has enhanced this option significantly and many products "marked for death" continue to reach their targets with zero marketing support.

  - Eliminating brands: Surprisingly, companies can often discontinue most brands right away without fear of retailer or consumer backlash. These are typically the brands for which they have had trouble getting shelf space and buyers in the first place. To retain what customers they do have, companies can offer samples of other brands, discount coupons or rebates on the replacement brand(s), and trade-ins. It is crucial to note, however, that companies should retain legal rights to the deleted brand names for a period of time. Otherwise, dead brands can come back to haunt them, as Procter & Gamble discovered when it decided to stop marketing its White Cloud toilet paper to focus on its Charmin line instead. When the White Cloud trademark lapsed, an entrepreneur gained control of the brand, sold it to Walmart in 1999, and continued the competition with Charmin.

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- *Growing Core Brands:* This fourth and final step in the brand portfolio rationalization process is creative rather than destructive. When organizations delete brands, they simultaneously need to invest in the growth of the remaining brands. Through the pruning process, resources are released and costs likely fall due to streamlining, greater optimization of inventory, and lower sales and administrative expenses, creating opportunities for growth.

The ultimate decision of whether to revitalize a dying brand depends heavily on maintaining a long-term perspective, obtaining management buy-in, and completing the necessary financial analysis to determine if the investment is worth the expense. (see the sidebar "Revitalizing Oil of Olay"). Note that eliminating or rejuvenating a particular brand can bring short-term profit gains, but the real value comes from long-term revenue appreciation, which can result only from prudent reinvestment in the remaining brands.

Revitalizing Oil of Olay

Originally introduced by the British Royal Air Force during World War II as a lotion to treat burns, the Oil of Olay brand was purchased in 1962 by a company that began marketing it as a "beauty fluid." Again purchased in 1985, this time by Procter & Gamble (P&G), the brand was revitalized with significant marketing support. In the 1990s, P&G began updating the product's image to make it more attractive. It removed the "Oil of" from the brand name to focus on a younger audience; launched a number of line extensions around the Olay brand; and introduced personalized skin care and products, including the Total Effects and Complete lines. In 2015, worldwide sales of the Olay brand were estimated to be $2.5 billion, having grown from an estimated $140 million in 1980.

Sources: Michael R. Solomon, Greg W. Marshall, and Elnora W. Stuart, *Marketing: Real People, Real Choices* (Upper Saddle River, NJ: Prentice Hall, 2009), p. 280; Adbrands, "Olay: Brand Profile," https://www.adbrands.net/archive/us/olay-us-p.htm, accessed August 12, 2019.

2.3 Challenges in Brand Management

While brand management has always been a challenging task, changing market forces have made it even more so, requiring navigation through a number of inherent conflicts. The key to successful branding today lies in understanding and appropriately balancing these conflicts:

- *Traditional Versus Contemporary Approaches.* Over time, whether or not a product succeeds has become less about the product's actual attributes and capabilities and more about what it represents to customers and how it builds or maintains their self-image or personal identity. This is

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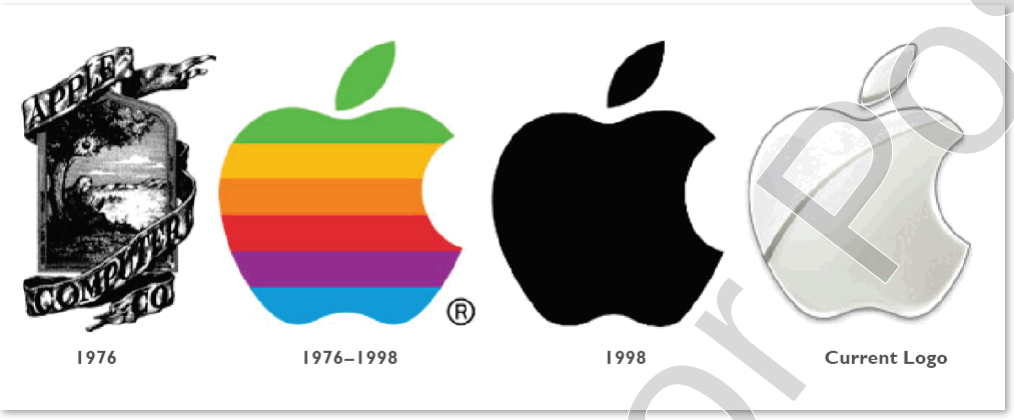
particularly true in lifestyle categories such as food, clothing, alcohol, and automobiles. While many of the traditional approaches to brand management still apply, marketers who fail to incorporate the new market dynamics of ***customer centricity*** and social media into strategic planning can fatally damage the brand.

- *Theory Versus Practice.* Unfortunately for marketers, consumer behavior can be unpredictable. Recall the New Coke example. The company believed it had done all the necessary research before making the decision to change the original formula. However, the marketplace spoke very loudly and clearly, forcing a quick reversal of the company's position, which cost millions. New technology introductions can also present no-win situations, as ReplayTV discovered when the market overwhelmingly chose the TiVo system as its standard in digital video recording, despite overall better industry reviews for the ReplayTV technology.
- *Corporate Versus Consumer Value.* Although strong brands create value for both consumers and organizations, the definition of the term *value* varies depending on the point of view. Consumers value the enhanced experience provided by the familiarity, trust, and psychological benefits they associate with a brand, while corporations value the increased performance of their business through price premiums, brand loyalty, and increased barriers to entry. Keeping both perspectives in mind as they evolve alongside societal and community issues and pressures is not a simple task.
- *Short-Term Versus Long-Term Vision.*[39] At times, manufacturers can become myopic about their brands, often measuring success by short-term gains and losing sight of the long-term strategies that built the brand in the first place (see the sidebar "Lacoste: Protecting a Brand in the Long Term"). Leonard M. Lodish and Carl F. Mela propose three factors that contribute to this phenomenon: an abundance of real-time sales data that make short-term promotional effects more apparent, thus pushing manufacturers to over-discount; a corresponding dearth of usable information to help assess the effects of long-term investments in brand equity, new products, and distribution; and the short tenure of brand managers. Patience and a broad view can go a long way toward achieving long-term growth.
- *Maintaining Consistency Versus Relevancy.* If we lived in a static world, consistent marketing would be entirely appropriate—boring but appropriate. For better or worse, our world is dynamic and constantly changing. As a result, brand management must evolve over time to meet the changing marketplace. How can an organization maintain relevance while also preserving the consistency and recognition of its brand? The measurement techniques discussed previously can help tremendously in this regard. Apple, for example, has done a good job of updating its logo to remain current while also maintaining the iconic apple shape (see **Exhibit 9**).

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EXHIBIT 9 Apple's Logo



Source: 20 Corporate Brand Logo Evolution, InstantShift, January 29, 2009, http://www.instantshift.com/2009/01/29/20-corporate-brand-logo-evolution/, accessed August 12, 2019.

Lacoste: Protecting a Brand in the Long Term

When General Mills acquired licensing of the Lacoste brand in the U.S., it lowered the price on the alligator-adorned tennis shirts and broadened distribution. Sales rose in the short run, but the brand lost its cachet when the shirts moved from elite stores to clearance bins. Lacoste then repurchased the brand and limited its distribution, used celebrities to advertise the shirts, and raised prices. Sales jumped 200% as a result.

Source: Leonard M. Lodish and Carl F. Mela, "If Brands Are Built over Years, Why Are They Managed over Quarters?" *Harvard Business Review* 85, no 7, 8 (July–August 2007): 104–112.

2.4 Conclusion

Successful brand management requires careful inclusion of all the elements discussed in this reading while also balancing the challenges presented. Starbucks (arguably one of the most successful brands of the past two decades) has succeeded not just because it produces a consistently -quality product around the world; Starbucks has also created a very strong brand community and generated intense customer loyalty. Its clear mission statement ("To inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time") ties well into the social need for neighborhood and community at a time when people feel increasingly isolated. The company was one of the first establishments to offer free Wi-Fi, inviting consumers to linger. It created an app

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so that customers could locate stores quickly. It has made a clear and consistent commitment to the environment. Devotees are members of the loyalty club and are rewarded for repeat purchases. Customers purchase gift cards for friends, tea and ground coffee to take home, and now even Starbucks-manufactured coffee brewing equipment. Although its track record has not been perfect, Starbucks has become such a globally recognized brand that its logo no longer needs to include the company name (see **Exhibit 10**). This is the sort of iconic success that all brand managers hope to achieve.

EXHIBIT 10 Starbucks' Logo



Source: http://brandireland.files.wordpress.com/2011/01/starbucks.jpg, accessed August 12, 2019.

In this reading, we have explored the concept of branding today, which clearly goes far beyond a simple trademark and logo. New technology and new tools may actually reduce the costs of developing and executing a brand strategy, but no matter what the expense, integrating a branding strategy into an organization's overall strategy remains crucial for ensuring brand value endurance. In the supplemental readings that follow, we will look at two emergent topics in branding: business-to-business (B2B) branding and personal branding.

3 SUPPLEMENTAL READING

3.1 Business-to-Business Branding

There is ongoing debate about whether business-to-business (B2B) branding truly differs from business-to-consumer (B2C) branding. Some marketing pundits argue that the B2B world is more "rational," with high customer awareness of products that are often commodities or specialty products like

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industrial lubricants, electric motors, or high-tech components.[40] Thus, in the B2B world, branding and activities to encourage brand loyalty do not apply. Others maintain that the complexity of some B2B sales often makes the idea of a single, simple brand promise and brand position seem preposterous. Some believe the opposite: that branding is even more important in B2B marketing because a strong brand can create a shorthand of sorts for the purchaser, allowing for quick differentiation among products often considered commodities. Still others assert that purchasing decisions are purchasing decisions, whether the buyer is a retail or corporate customer, that B2B buyers are still people with emotions and, as research indicates, emotions have an impact on economic decision making.

Yet Kathryn Roy and Gib Trub caution that "inappropriately applying the techniques used by B2C companies to B2B companies . . . can result in painfully expensive mistakes." In their paper "B2B Branding—Consumer Branders Need Not Apply," they detail distinctions to keep in mind and note that B2B companies face a more rigorous purchasing decision because of higher price points; the additional costs of training, implementation, and support; the importance of developing third-party relationships with vendors and suppliers who will be around in the long run; the financial scrutiny of return on investment (ROI); and multi-player decision processes.[41]

While B2C marketing often capitalizes on the anticipation of consumers' positive emotions, the strongest B2B brands capitalize on the avoidance of negative emotions. That is "the buyer [in B2B purchases] does not experience the full benefit of the purchasing choice directly and may or [may] not be rewarded for making a good purchase, but a bad purchase can destroy the buyer's reputation and damage job security."[42] Consider a manager making a purchasing decision for an important part of an assembly. If all goes well, the manager may well have saved the company money by switching to a lower-cost vendor or buying in bulk. If the product fails and causes a production-line stoppage or slowdown, however, this purchasing decision could damage that manager's status at the company. While consumers tend to purchase products that make a statement about themselves, B2B buyers focus more on costs, revenues, and profits. Facts and proof points factor much more heavily into a B2B purchasing decision, and thus B2B branding should reflect these considerations.

3.2 Personal Branding

Dr. Seuss probably said it best: "Today you are You, that is truer than true. There is no one alive who is Youer than You."[43] In the age of Facebook and

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personal websites, where you (and virtually anyone else) can publish a blog and broadcast your "you-ness," Dr. Seuss's quote perhaps rings truer than ever. Tom Peters (of *In Search of Excellence* fame) was one of the first to introduce personal branding in an article called "The Brand Called You," published in *Fast Company* magazine in 1997. He discussed a new mind-set: that of taking ownership of your own "brand" instead of relying on a company to determine your career path.

For many people, personal branding has become almost inextricably tied to how their careers develop and evolve. Although personal branding is a relatively new concept, in a broad sense, it is really not much different from product branding. It is the process by which you as a person bring all the aspects of yourself into alignment: your characteristics, personality, strengths, and values. It is how you market yourself to others, and this necessitates establishing concrete goals, positioning relative to your "competition," and choosing methods for measuring how your "brand" is perceived. Some describe personal branding as "the logical extension of . . . previous brand forms."[44]

Of course, prior to the Internet age, it was difficult to get wide attention. People relied on local newspapers, mainstream media, and smaller networking events. With the Internet and social media, it is now hard *not* to have an online presence. As a result, we are all forced to manage our own brand, sometimes on a daily basis. So how does one do this effectively? In his Personal Branding Blog, Dan Schawbel suggests a four-step process:[45]

- *Discover.* First, you need to know (or figure out) who you are and what you want to do in life, with a focus on your strengths, passions, and goals. Then create a development plan that aligns your short-term and long-term goals and then craft a personal marketing plan.
- *Create.* Traditional ways to create your personal brand include a business card, professional portfolio, résumé, cover letter, and list of references. Nontraditional ways include a video résumé, LinkedIn profile, blog, a personal website, Twitter account, and accounts on various other social networks. Ensure that the content, including pictures and text, is concise, compelling, and consistent with how you want to represent yourself.
- *Communicate.* To communicate your brand properly through self-promotion, make sure your story is clearly developed and target it toward people who will be interested in what you have to say. Depending on your audience (hiring managers, teachers, clients), you may want to adjust your materials accordingly.
- *Maintain.* The brand that people see has to grow along with you. Update everything you have created to reflect your new accomplishments: jobs, awards, press articles, and client victories, to name a few.

For celebrities, personal branding more closely resembles product branding because they, their business, their music, art, writing, and so forth, *are* their

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products. In the recent past, celebrities have capitalized on their brand directly. For example, in the late 1990s, David Bowie conducted an initial public offering of "Bowie Bonds," raising $55 million from the asset-backed securities that used the past and future streams of revenue from his albums as collateral. Other celebrities, including Madonna, Michael Jordan, Oprah Winfrey, and Lady Gaga, have been recognized as examples of strong personal branding: They keep tight control over how their image, products, and reputations are managed, and they choose carefully how they monetize their celebrity through product endorsements.

Periodically, a group called the Young Entrepreneur Council publishes a list of "personal branding standouts who inspire us." This list includes contributors' descriptions of individuals who created notable personal brands and the reasons they were chosen for the list. Here is a sampling from the 2012 list:[46]

- "I don't know a whole lot of people who wouldn't recognize *George Takei* from his various acting roles, but the man has done amazing things on social media. He's been outspoken on several key issues, including the Japanese-American internment during WWII, which in turn has led to a play he starred in last year. He's become a meme several times over and I'm sure he'll continue to stand out in 2013." (*Thursday Bram, Hyper Modern Consulting*)
- "I would have to say that *President Barack Obama* had a standout personal brand considering the fact the he won reelection. He was able to position himself positively amongst voters, despite some of the struggles in his first term." (*Andrew Schrage, Money Crashers Personal Finance*)
- "It's tough, as a native of Cleveland, to write positively about *LeBron James*. But in 2012, after a year in which he alienated a lot of fans and seemed not to 'get it,' James was able to bounce back. In leading his team to a championship—and owning up to some of his previous mistakes—he was able to regain his standing as one of the world's top athletes and endorsers." (*Aaron Schwartz, Modify Watches*)

More recent lists have included influencers in business, entertainment, and marketing, including John Mackey of Whole Foods, Reddit founder Alexis Ohanian, talk show host Ellen DeGeneres, Shark Tank's Barbara Corcoran, motivational speaker Tony Robbins, Richard Branson of Virgin, and Tony Hseih of Zappos.[47]

As these lists imply, personal branding is pervasive and likely here to stay. But where do corporations fit into the picture? One way, of course, is that corporations can benefit from the fact that consumers tend to buy from people with whom they feel some sort of connection. By effectively identifying celebrities whose personal branding meshes with their product branding, companies can leverage this celebrity to endorse or represent products, services, and events.

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But how does personal branding affect the workplace itself? What happens when employees each decide to become their own personal "brands" within the established brand of the organization? Daniel Lair describes the problem:

> The personal branding movement to some extent relies upon the image of an independent, resourceful, creative, and aggressive professional. This person is expected to be agile in a fluctuating job market, responsive to any opportunities, self-motivating, and self-promoting . . . This cosmology (if you will) does not presume that everyone can be effective at personal branding, but it does try to foster an implicit identification with a fairly large segment of educated, experienced professionals who, for one reason or another, are at a juncture in their career path. Against this backdrop of destabilized work conditions, personal branding emphasizes control over one's work identity as the primary solution to structural uncertainties in the work economy. [48]

Personal branding by employees can also be considered an asset to a corporation and not as a threat, as Peter Montoya discusses in his book, *The Personal Branding Phenomenon*. He believes this is particularly true at larger companies, where management may not have a clear idea of the capabilities of most of its workforce. Personal branding, he argues, can help employees define goals, identify strengths, hone leadership qualities, and establish influence with co-workers in areas where they have the most experience or knowledge. He acknowledges that, in doing so, a company could certainly lose individuals who feel constrained by a corporate parent, but he believes that "overall, you would end up with a workplace where each person, including upper management, felt empowered and where his or her abilities were fully appreciated and used to full advantage."[49]

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4 KEY TERMS

brand community A geographically agnostic group specifically formed around a shared connection to a brand.

brand culture Shared, taken-for-granted stories and ideas associated with a brand that give the brand meaning. Over time, brand cultures evolve as various authors (the firm, popular culture, customers, and influencers) create stories that involve the brand.

brand equity The set of assets linked to a brand's name that adds to or subtracts from the value of that product or service. Assets can include brand awareness, perceived quality, brand associations, brand loyalty, and intellectual property.

brand extensions The use of an existing brand name on a new product in a related or different category.

branding elements The collection of markers that identify a brand, including the brand name, logo, tagline, symbol, and character.

brand personality The set of human traits ascribed to a brand. Consumers tend to gravitate toward brands whose personalities match their own.

brand value The quantitative measurement of the financial value of a brand. Third-party valuation models are often used to judge the relative success of marketing efforts and to provide external validation for marketing budgets.

country of origin effect The influence that the location of a product's manufacture has on a consumer's perception of that product. Preexisting opinions about a country or location can lead to positive or negative customer bias.

customer centricity The set of beliefs that puts the customer's interests first, while not excluding those of other stakeholders, to develop a long-term, profitable enterprise.

economy of scale The cost advantage that arises with increased volume output of a product. The greater the quantity of a good produced, the lower the per-unit fixed cost because these costs are shared over a larger number of goods.

marketing mix The components of an effective marketing strategy, typically involving product, price, placement, and promotion (the 4 Ps). The term was first coined by Neil Borden, the president of the American Marketing Association, in 1953.

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product mix The entirety of a company's product offerings.

product portfolio *See* product mix.

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