

## **BRANDING**

How should brand names be chosen? Is the name important? Marketing theory suggests that there are three main types of brand name:

1. Family Brand Names
2. Individual Brand Names
3. Combination Brand Names

### **1. Family Brand Names:**

A family brand name is used for all products. By building customer trust and loyalty to the family brand name, all products that use the brand can benefit.

Good examples include brands in the food industry, including Kellogg's, Heinz and Del Monte. Of course, the use of a family brand can also create problems if one of the products gets bad publicity or is a failure in a market. This can damage the reputation of a whole range of brands.

### **2. Individual Brand Names:**

An individual brand name does not identify a brand with a particular company.

For example, take the case of Heinz. Heinz is a leading global food manufacturer with a very strong family brand. However, it also operates many well-known individual brand names. Examples include Farleys (baby food) and Weight Watcher's Foods (diet/slimming meals and supplements).

Why does Heinz use individual brand names when it has such a strong family brand name? There are several reasons why a brand needs a separate identity – unrelated to the family brand name:

- The product may be competing in a new market segment where failure could harm the main family brand name
- The family brand name may be positioned inappropriately for the target market segment.
- The brand may have been acquired; in other words it has already established itself as a leading brand in the market segment.

### 3. Combination Brand Names:

A combination brand name brings together a family brand name and an individual brand name. The idea here is to provide some association for the product with a strong family brand name but maintaining some distinctiveness so that customers know what they are getting.

Examples of combination brand names include Microsoft XP and Microsoft Office in personal computing software and Heinz Tomato Ketchup and Heinz Pet Foods.

### What are the features of a good brand name?

Brand names should be chosen carefully since the name conveys a lot of information to a customer. The following list contains considerations that should be made before making a final choice of brand name:

A good brand name should:

- Evoke positive associations
- Be easy to pronounce and remember
- Suggest product benefits
- Be distinctive
- Use numerals when emphasizing technological features
- Not infringe existing registered brand names



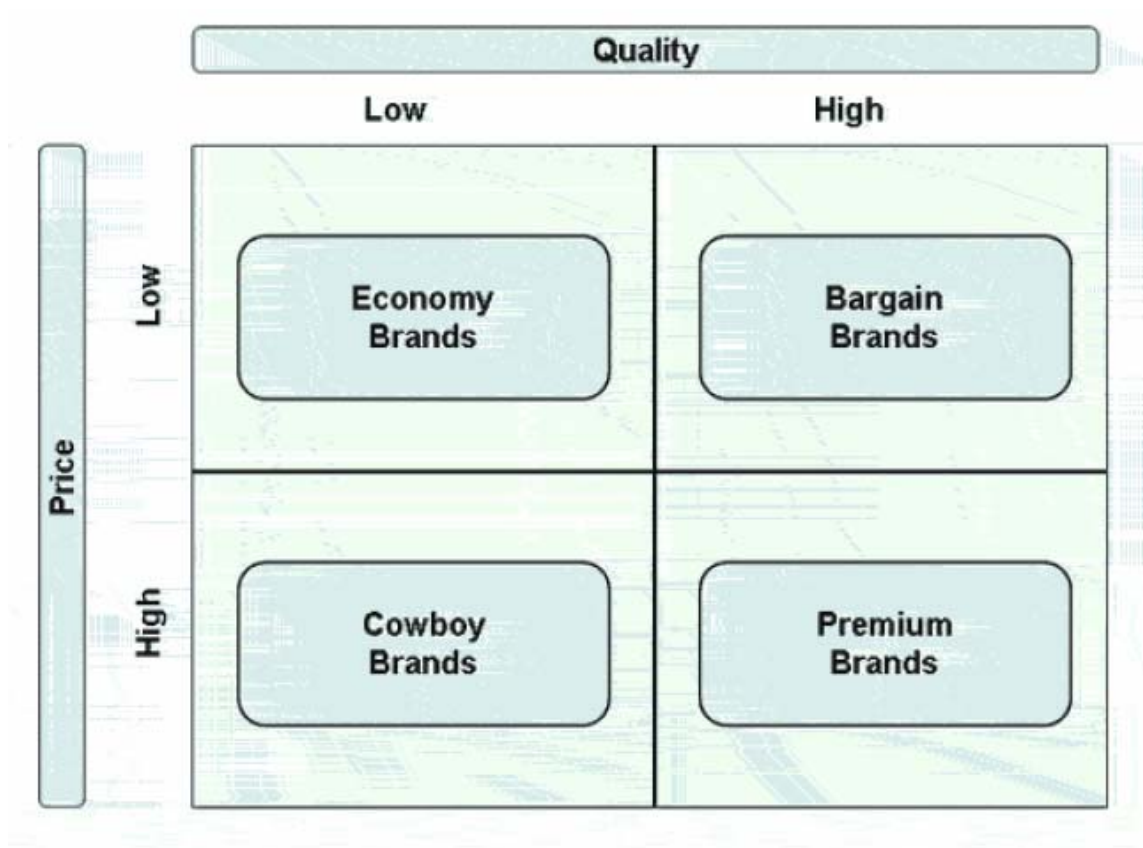
## Quality

Quality is a vital ingredient of a good brand. Remember the “core benefits” – the things consumers expect. These must be delivered well, consistently. The branded washing machine that leaks, or the training shoe that often falls apart when wet will never develop brand equity. Research confirms that, statistically, higher quality brands achieve a higher market share and higher profitability than their inferior competitors.

## Positioning

Positioning is about the position a brand occupies in a market in the minds of consumers. Strong brands have a clear, often unique position in the target market.

Positioning can be achieved through several means, including brand name, image, service standards, product guarantees, packaging and the way in which it is delivered. In fact, successful positioning usually requires a combination of these things.



## **Repositioning**

Repositioning occurs when a brand tries to change its market position to reflect a change in consumer's tastes. This is often required when a brand has become tired, perhaps because its original market has matured or has gone into decline.

## **Communications**

Communications also play a key role in building a successful brand. We suggested that brand positioning is essentially about customer perceptions – with the objective to build a clearly defined position in the minds of the target audience.

All elements of the promotional mix need to be used to develop and sustain customer perceptions. Initially, the challenge is to build awareness, then to develop the brand personality and reinforce the perception.

## **First-mover advantage**

Business strategists often talk about first-mover advantage. In terms of brand development, by “first-mover” they mean that it is possible for the first successful brand in a market to create a clear positioning in the minds of target customers before the competition enters the market.

Think of some leading consumer product brands like Gillette and Coca Cola that, in many ways, defined the markets they operate in and continue to lead. However, being first into a market does not necessarily guarantee long-term success. Competitors – drawn to the high growth and profit potential demonstrated by the “market-mover” – will enter the market and copy the best elements of the leader's brand (a good example is the way that Body Shop developed the “ethical” personal care market but were soon facing stiff competition from the major high street cosmetics retailers.

## **Long-term perspective**

This leads onto another important factor in brand-building: the need to invest in the brand over the long-term. Building customer awareness, communicating the brand's message and creating customer loyalty takes time. This means that management must “invest” in a brand, perhaps at the expense of short-term profitability.

## **Internal marketing**

Finally, management should ensure that the brand is marketed “internally” as well as externally. By this we mean that the whole business should understand the brand values and positioning. This is particularly important in service businesses where a critical part of the brand value is the type and quality of service that a customer receives.

Think of the brands that you value in the restaurant, hotel and retail sectors. It is likely that your favorite brands invest heavily in staff training so that the face-to-face contact that you have with the brand helps secure your loyalty.

Marketers have long recognized that strong brand names that deliver higher sales and profits (i.e. those that have brand equity) have the potential to work their magic on other products.

The two options for doing this are usually called “brand extension” and “brand stretching”.

### **Brand extension**

Brand extension refers to the use of a successful brand name to launch a new or modified product in a same broad market. A successful brand helps a company enter new product categories more easily.

### **Brand stretching**

Brand stretching refers to the use of an established brand name for products in unrelated markets. For example the move by Yamaha (originally a Japanese manufacturer of motorbikes) into branded hi-fi equipment, pianos and sports equipment. When done successfully, brand extension can have several advantages:

- Distributors may perceive there is less risk with a new product if it carries a familiar brand name. If a new food product carries the Heinz brand, it is likely that customers will buy it.
- Customers will associate the quality of the established brand name with the new product. They will be more likely to trust the new product.
- The new product will attract quicker customer awareness and willingness to trial or sample the product.
- Promotional launch costs (particularly advertising) are likely to be substantially lower.

## **Brand positioning**

As we have argued in our other revision notes on branding, it is the “added value” or augmented elements that determine a brand’s positioning in the market place.

Positioning can be defined as follows: *Positioning is how a product appears in relation to other products in the market*

Brands can be positioned against competing brands on a **perceptual map**. A perceptual map defines the market in terms of the way buyers perceive key characteristics of competing products. The basic perceptual map that buyers use maps products in terms of their price and quality, as illustrated below:

## **Types of brand**

There are two main types of brand – manufacturer brands and own-label brands.

### **Manufacturer brands**

Manufacturer brands are created by producers and bear their chosen brand name. The producer is responsible for marketing the brand. The brand is owned by the producer. By building their brand names, manufacturers can gain widespread distribution (for example by retailers who want to sell the brand) and build customer loyalty (think about the manufacturer brands to which you feel “loyal”).

### **Own label brands**

Own-label brands are created and owned by businesses that operate in the distribution channel – often referred to as “distributors.” Often these distributors are retailers, but not exclusively. Sometimes the retailer’s entire product range will be own-label. However, more often, the distributor will mix own-label and manufacturers brands. The major supermarkets (e.g. Giant Eagle, Acme, Topps) are excellent examples of this. Own-label branding – if well carried out – can often offer the consumer excellent value for money and provide the distributor with additional bargaining power when it comes to negotiating prices and terms with manufacturer brands.

## **Why should businesses try to build their brands?**

There are many advantages to businesses that build successful brands. These include:

- Higher prices
- Higher profit margins
- Better distribution
- Customer loyalty

Businesses that operate successful brands are also much more likely to enjoy higher profits. A brand is created by augmenting a core product with distinctive values that distinguish it from the competition. This is the process of creating brand value. All products have a series of “core benefits” – benefits that are delivered to all consumers. For example:

- Watches tell the time
- CD-players play CD's
- Toothpaste helps prevent tooth decay
- Garages dispense gasoline

Consumers are rarely prepared to pay a premium for products or services that simply deliver core benefits – they are the expected elements of that justify a core price. Successful brands are those that deliver added value in addition to the core benefits.

These added values enable the brand to differentiate itself from the competition. When done well, the customer recognizes the added value in an augmented product and chooses that brand in preference. For example, a consumer may be looking for reassurance or a guarantee of quality in a situation where he or she is unsure about what to buy. A brand like Mercedes, Sony or Microsoft can offer this reassurance or guarantee.

Alternatively, the consumer may be looking for the brand to add meaning to his or her life in terms of lifestyle or personal image. Brands such as Nike, Porsche or Timberland do this.