

How Brands Work

A brand's idea must be simple in order for its branding to be powerful and compelling.

—Allen Adamson¹

LEARNING OBJECTIVES

In this chapter, you will learn the following:

- Why brands have become so important today
- About **brand identity**, image, and personality
- How brands reduce consumers' perceived risks
- When brands are used for self-expressive purposes
- About the competitive advantages of strong brands

In recent years, brands have come to be regarded as many companies' most valuable assets. For luxury brands, this is no surprise. The names of Louis Vuitton and Gucci and Burberry have long been recognized as commanding premium prices because of the cachet of their brands. What is new is that companies with more **utilitarian products**—companies such as Procter & Gamble (P&G), Coca-Cola, and Zara—now also claim brands as their most valuable asset.

¹Allen P. Adamson is managing director at Landor Associates. The quote is from Adamson (2006, p. 223).

How can this be?

The simple answer is that consumers have learned to trust brands, so they rely on them when buying. Brands reduce risk, simplify decisions, and offer emotional benefits. When faced with a choice where a trusted brand is available, consumers do not need to evaluate in detail all the features and specifications of the product, they need not worry about not liking the product or being dissatisfied, and they need not worry about peer group disapproval. In short, the brand reduces functional and **psychological risk**, simplifies the decision-making process, and in some cases, provides a vehicle for self-expression. To get these benefits, consumers seek out their favorite brands. As the habit of consuming the brand grows over time, the consumer's trust and reliance on it grows as well.

That is why the brand can be so important for any kind of product—and not just for luxury products. Consumers who rely on the brand can be sure they made the right choice. That assurance is the *brand promise*.

This is why firms that build strong brands have a very valuable asset. Their increasingly loyal customer base lowers customer retention costs and reduces the threat from new entrants. Strong brands also improve the firm's ability to charge a price premium, increase its channel leverage, make it easier to enter new markets, and facilitate product line extensions. These benefits generate the brand's equity and value.

To leverage these benefits, the firm must move consumers from knowing the brand, to trusting it, to being fiercely loyal to it. But getting there takes time and focused effort. The consumer has to move from simple awareness of the brand to knowledge of its benefits, to liking, trust, and ultimate bonding. The most valuable asset designation does not come to brands out of nowhere and does not happen overnight. It comes out of long and focused effort. A strong brand has to establish its credentials by demonstrating that it deserves trust and loyalty. Trust has to be gained one experience at a time. And even when a large number of people are loyal to the brand, the trust has to be reinforced on every occasion that a purchase is made. A strong brand is tested every time a consumer buys and uses the product.

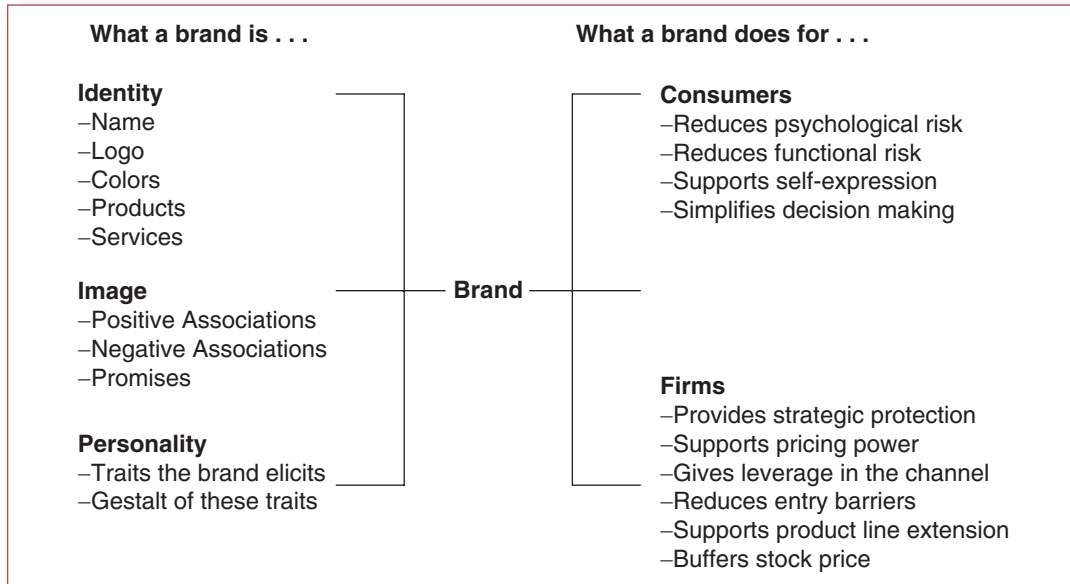
Our view of what makes a good brand and what it can do for consumers and the firm that supports it is summarized by Figure 1.1. The remainder of this chapter delves deeper into each aspect of this figure.

WHAT IS A BRAND?

A brand is a name attached to a product or service. The name and its logo are typically registered and legally protected as trademarks. Thus, in practice brands are trademarks that identify the product maker or service provider.

All products have some identification and are therefore potential brands. When generic products became a watchword in the 1970s, “no-name beer” quickly became its own brand name. The Japanese new age company Muji (which means “no pattern”) launched a line of “no-brand” products that equally quickly became a fashionable brand, and now you find Muji boutiques not only in Tokyo's Ginza but in New York's Soho district and many European cities (www.muji.com; see Figure 1.2).

Figure 1.1 How Brands Work



To be fair, Muji stays close to its original no-brand philosophy, doing little or no advertising for its brand, and does not put its name on the products—which in itself becomes the signifying mark.

Figure 1.2 Speakers From the Muji “No-Brand” Brand



Source: Muji USA Limited. <http://www.muji.us/store/art-and-craft/cardboard-speaker-kraft.html>

The competitive advantages of a brand derive from the positive associations that customers have with a brand. These advantages can be unique, such as when Bulgari offers the only luxury necklace with antique coins (Vergara, 2012). They can be temporary, such as when the Toyota Prius claims to be the best-selling midsize car in California in 2012 (Hirsch, 2012). The advantages can also be grounded more in perception than reality, such as when Coke loyalists claim Coke tastes better than store brands, yet store brands perform equally well to Coke in blind taste tests. Likewise, competitive disadvantages stem from negative brand associations, such as the reputation BMWs have for being expensive to service (<http://forums.bimmerforums.com/forum/showthread.php?211775-Are-BMW-s-more-expensive-to-repair>).

A brand is in some ways like a person—it may be born small, is given a name, and may in time grow up to become a well-known name in maturity. The sustainability of a brand advantage comes partly from the legal protection it has against imitation of its name and logo. Competitors may access similar technology and offer equivalent product and service features in their products, but they cannot use the same brand name. Firms with strong global brands have to actively enforce their legal rights internationally against pirates and counterfeits to maintain their reputations. Sustainability also comes from activities that continually regenerate the brand. Such activities, which are discussed at length in this book, include new product introductions, event sponsorships, social media campaigns, and so on.

Since a brand is basically a name, anything with a name can potentially become a brand. This means even a person or a city can be a brand. Figure 1.3 shows some prominent examples that most would recognize.

Figure 1.3 Anything With a Name Can Be Branded



Source: http://commons.wikimedia.org/wiki/File:Jordan_by_Lipofsky_16577.jpg; http://www.rottentomatoes.com/celebrity/michael_jordan/; <http://celebgreat.com/Best-awards-winners/Arnold-Palmer.html>; <http://www.golfdigest.com/magazine/arniesrules>; <http://blacksportsonline.com/home/2010/03/did-arnold-palmer-punk-ben-roethlisberger/>; http://www.boston.com/bigpicture/2008/08/2008_olympics_opening_ceremony.html; <http://www.freedomspheenix.com/Subjects/00218-LAST-olympics-beijing-china-summer-2008.htm>; <http://sportskenya.blogspot.com/2012/07/road-to-olympics-beijing-2008-olympics.html>

It is common now to talk about *personal branding*, but the practice actually is not particularly new. Prominent early examples include sports champions (Arnold Palmer and Michael Jordan), movie stars (Humphrey Bogart is still considered a very strong brand), and sundry celebrities (the Duke of Windsor was an early example; Kim Kardashian is a recent one).

The branding practice has recently been extended to cities. The Beijing 2012 Olympics have been characterized as “branding campaign” (Greyser, 2008), as well as countries (New Zealand has a branding campaign featuring its natural beauty on its website: <http://www.newzealand.com/>). The activities associated with country and city branding alone have grown rapidly enough to spawn a new industry (Anholt, 2003). Recognized icons such as Egypt’s pyramids, Japan’s Rising Sun, and Athens’ Parthenon actually become brand logos. The functional role of these “different” brands is the same as that of product and service brands: to increase the recognition and attractiveness of the offering to the potential customers—be they sports fans, moviegoers, tourists, or simply gawkers. Chapter 9 discusses these new extensions in more detail.

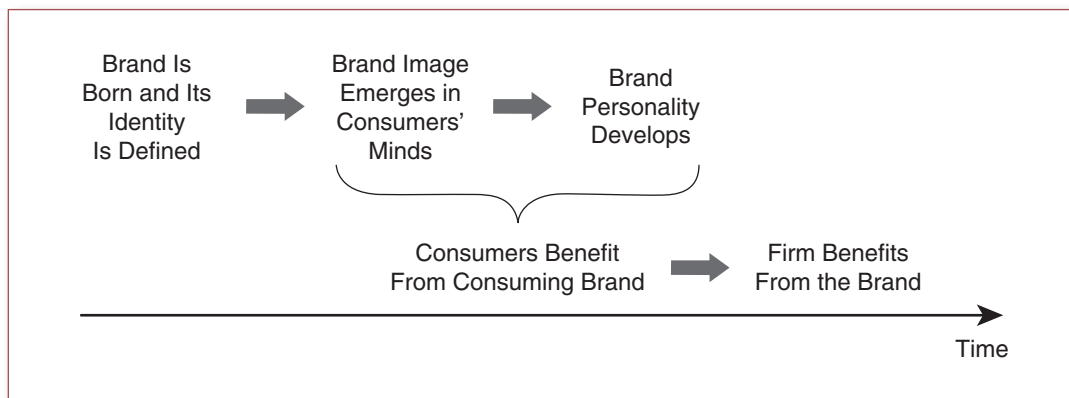
IDENTITY, IMAGE, AND PERSONALITY

Like a confident and well-known person, a strong brand has a sure identity, a positive image, and a unique personality. These three brand concepts play important roles in brand management, as they support a strong brand and provide strategic leverage to the firm that builds the brand. Our view of how this process occurs over time is represented in Figure 1.4 and is described in detail next.

Brand Identity

To be successful, a brand should have a clear identity. Identity answers the question, “Who are you?” For a person, we might ask for the name, gender, age, photo ID, and what country

Figure 1.4 Evolution of a Strong Brand



he or she comes from. A brand's identity can be found in its name, a picture of its logo, how old the brand is, what country it comes from, and its product or service category. Identity is the "passport" of the brand—the nationality, the name, birth date, and the product category involved. BMW is a German carmaker, with a blue-and-white circular logo. You may even know that BMW stands for Bayerische Motoren Werke and that its history dates from 1917 when it produced aircraft engines. Today it produces cars, trucks, and motorcycles. Its headquarters are in Munich. By staying close to its heritage of advanced technology and engine production, its identity is a natural foundation on which to build its image as a maker of performance cars—an image that it supports with its slogan, "the ultimate driving machine."

A strong brand has a unique and distinct identity. Consumers know what the brand promises and what the company behind it stands for. BMW has this clear identity (see Figure 1.5). The company gives credibility to the brand when its products fit the expectations that the identity creates. By the same token, when the company ventures outside its traditional range of offerings, the clear identity can become an obstacle. BMW has moved up toward the luxury category of cars—introducing the BMW 7 Series, for example—but only in small steps that still emphasize performance characteristics of the vehicles rather than pure luxury.

Figure 1.5 The BMW Identity



Source: <http://wot.motortrend.com/thread-of-the-day-the-best-automaker-slogans-5585.html/image-29276424/#axzz2WEVXL4>

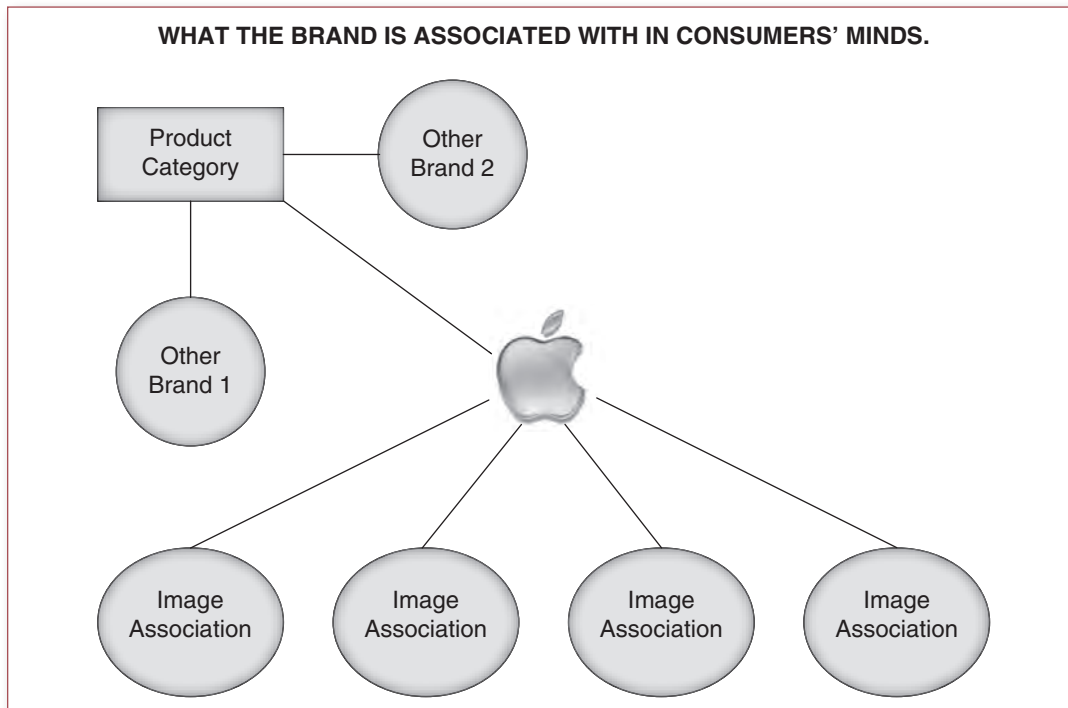
Brand Image

It is useful to distinguish between brand identity and **brand image**. Brand identity is what the brand is. Brand image is what the brand seems to be to consumers. The following definition is given by Keller (2013):

Brand image can be defined as perceptions about a brand as reflected by the brand associations held in consumer memory. . . . Associations come in all forms and may reflect characteristics of the product or aspects independent of the product itself. (p. 44)

While brand identity is based on facts and what managers can control, brand image is determined by the perceptions of customers and outside observers. Brand identity is the foundation on which the image is based. Brand image adds the consumers' perceptions of the product and all the explicit associations that the product conjures among users and nonusers (see Figure 1.6). But the marketer will attempt to mold the brand's image by influencing perceptions of the brand and by formulating a value proposition that emphasizes the brand's strengths.

Figure 1.6 Brand Image



Source: Author; Apple Inc.

As Steve Jobs introduced the various Apple products, he talked about the “insanely great products” that Apple produced. Comparing Apple designs to competitors, he helped create the image of Apple as an outsider company. The “Think Different” mantra was developed. The image of a rebellious but fundamentally creative brand emerged. Later advertising called attention to specific product characteristics to establish competitive advantages—ease of use, slim designs, and so on—but the Apple image was inextricably linked to the Jobs persona.

As people start using the products and word of mouth gets around, the performance attributes of the brand will be recognized and an image of what kind of product an Apple is gets created. Recognition of the brand name and logo will gradually be sufficient to evoke the associations not only of performance but of attributes such as creative, young, and outside of the boring mainstream. A brand asset has been built. Much more about creating a positive image will be discussed throughout in this book.

Brand Personality

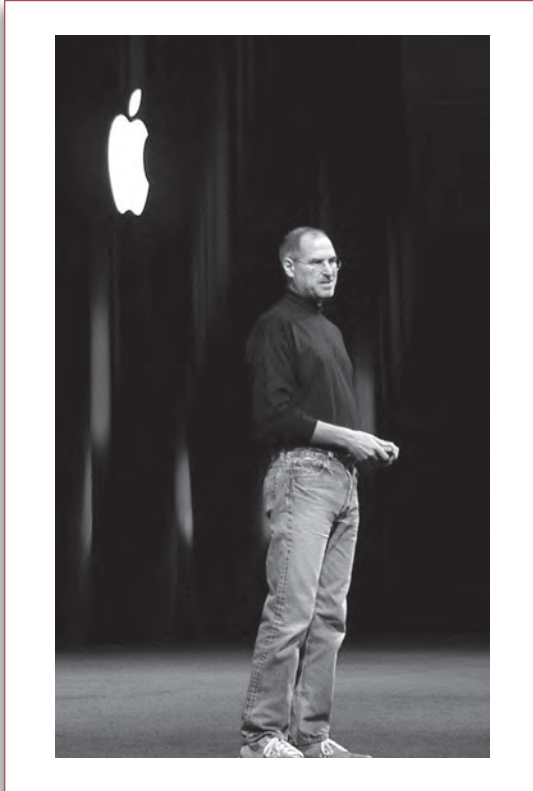
The **brand personality** emerges gradually from all the interactions that consumers have with the brand, as they see the brand in stores, are exposed to its advertising, observe it in use by others, and start to recognize the typical user (Plummer, 1984). The personality of a brand is tied to the identity and the image but goes further in two ways. First, the personality of a brand is the subset of image associations that are personality traits or characteristics. In other words, it is the personification elements of the image. The second way it goes further is that it is strongly influenced by the personality traits of the “typical” user’s personality. There will be Apple users and PC users. As Apple’s advertising tries to show, PC users are serious, unimaginative, and subservient while Apple users are independent, creative, and rebellious. Gradually, the personality profile of the typical user will be cemented quite firmly in people’s perceptions, and these personality traits attach themselves to the brands.

While brand identity answers the question, “Who is Apple?” and brand image answers the question, “What comes to mind when you think of Apple?” the brand personality is what consumers recall when asked, “What kind of personality is Apple?” Brand personality transcends the specific product and service and involves more general traits. One study found that five basic traits (each with several subtraits) could be used to classify brand personalities in the United States—(1) sincerity, (2) excitement, (3) competence, (4) sophistication, and (5) ruggedness (Aaker, 1997).

In practice, the outward expression of the brand personality is sometimes called the **brand style**. It is the way the “brand walks, talks and dresses” (Schwartz McDonald, 1990). Is the brand “arrogant” (Diesel jeans) or “traditional” (Levi’s jeans)? Is the brand “young and active” (Bud Light beer) or “mature and reflective” (Dos Equis beer)? Is it a “warm” inclusive brand (Volkswagen) or a “colder” selective brand (Audi)?

Initially, spokespersons and user personalities drive brand personalities, but gradually the influence goes the other way. When an established brand has a certain personality, consumers use them to express their own personality and style. Users of Apple products probably describe themselves as very creative, not in the mainstream, rebellious but not violent, technologically savvy, smart and young, sensitive and uniquely appreciative of beautiful designs, naïve, and sophisticated at the same time. Many might, consciously or

Figure 1.7 The Origins of the Apple Brand Personality



Source: http://upload.wikimedia.org/wikipedia/commons/5/58/Stevejobs_Macworld2005.jpg
Photographer: mylerdude

simplest terms, brand names provide a means by which consumers can feel confident even when they shortcut an important decision. This confidence results primarily from a reduction in functional and psychological risk.

Reduce Functional Risk

To economists, the risk-reducing effect of a strong brand is the main role of brands (e.g., Cunningham, 1967; Erdem & Swait, 2001). Customers reduce *search costs* both in terms of having to evaluate all aspects of a product and in terms of looking for alternatives. With a well-known brand, the customer can trust the brand's promise that the product will work

not, identify with the charismatic Mr. Jobs (see Figure 1.7). In this way, customers of a brand with strong personality tend to use it to display the personality they aspire to. This will also, not incidentally, help cement loyalty to the brand.

Not all brands—not even all strong brands—develop distinct personalities. Brands in many utilitarian product categories do not really develop strong personalities. This is not only because consumers show low involvement with the products. Part of the reason is also that the leading brands do not want to create narrow personalities that appeal only to distinct user profiles. Heinz tomato ketchup, Lipton tea, Pampers diapers, and Colgate toothpaste do well appealing to a large majority of consumers so do not want a confining personality. But other brands can benefit from a distinct brand personality and attempt to create one. Examples of such efforts include not only Apple's contrasting its users against PC users but also Avis ("We try harder"), Nintendo 64 ("Get N or get out"), Dove soap ("Campaign for real beauty"), and Honda ("You meet the nicest people on a Honda").

WHAT BRANDS DO FOR CONSUMERS

At the outset of this chapter, we noted that trusted brands help consumers reduce risk, simplify decisions, and express themselves. In

and the service will be acceptable. The customer does not need to test the product completely but can rely on the brand name to make a choice. The customer avoids the job of having to examine all features or ask for independent advice from an independent and knowledgeable party. The effort involved in buying is reduced, and there is no need for customers to become instant experts in evaluating automobiles, cell phones, banking services, or over-the-counter drugs. This reduction in uncertainty and search cost is the main economic justification for brands.

Of course, if the consumer is not familiar with a brand, this kind of perceived risk reduction will not happen. Most consumers will have doubts about the functioning of a product whose brand name is new. As an example, the new cars from China will have to prove themselves before their new brand names carry any power. Even if the products are of good quality and get high ratings, the brand name will take time before acquiring the trust and prestige that really matter. In order to help this process along, some new brands try to adapt names and logos of more established brands (see Figure 1.8).

Over time, a brand whose quality is known to be reliable will be relied on by potential customers, simplifying the decision process for customers. In this way, the strength of a brand is tied to the consistency with which its products and services perform. When product performance varies—when some automobiles are “lemons,” for example—the brand strength will be diluted. A strong brand might not always have a reputation for high quality, but it should have a predictable quality level—McDonald’s is a prime example of such a strong brand, as is IKEA. Their functional predictability lowers perceived risk because customers know what they will get (i.e., customers trust the brand).

Figure 1.8 The Brand Name and Logo for the New Chery From China



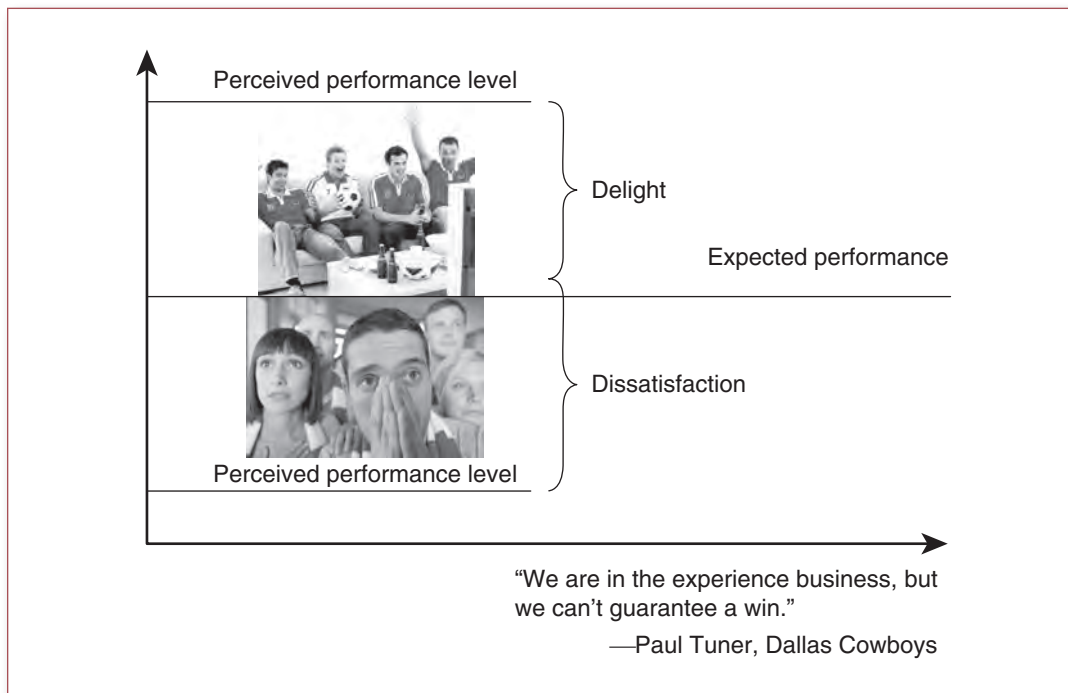
Source: <http://www.chinacartimes.com/category/chery-automobile/>

The brand's promises will set the expectations of a certain level of product performance. The same thing happens not only in goods but also in personal services, as when you go to a restaurant that is rated highly by Zagat or Michelin. Sometimes the actual performance is better—you get happily surprised. Sometimes the actual performance is worse—the brand will be downgraded. The effect is well known to anybody who follows a favorite team in sports (see Figure 1.9).

Reduce Psychological Risk

Marketers have extended the meaning of the brand beyond functional performance. Drawing on insights from social psychology, the risks are extended to include the cognitive dissonance arising from a fear that one has made the “wrong” choice (e.g., Cohen & Houston, 1972; Peter & Ryan, 1976). Even knowledgeable consumers are not always sure they have made the best choice. Should you have paid the price premium for a Sony flat screen TV instead of going with the much cheaper Vizio? As research has found, a lot of the

Figure 1.9 A Strong Brand Delivers on Its Promises



Sources: Thinkstock stk81467cor; Thinkstock 86518367

advertising for a brand is viewed by consumers who have already bought the brand. They want their choice to be supported.

Another social–psychological factor is social disapproval (e.g., Wooten & Reed, 2004). Your spouse or another family member might disapprove of the choice. The choice might not be well accepted by your professional peer groups. Your significant other may offer words in support of your choice (“That’s great”), but are they sincere? When faced with a choice between comparable smartphones, the risk is not simply functional but also psychological.

To alleviate social–psychological risk, tangible features and quality are less important than intangibles and brand image. Consider the disaster that was New Coke (Collins, 1995). New Coke was launched to replace the original Coke formula in 1985. Coca-Cola had determined that its taste was superior to the original Coke formula with the help of 190,000 individual blind taste tests. As it happened, the better tasting New Coke was badly received by Coke drinkers. Why? Loyal Coke drinkers insisted that New Coke tasted worse than old Coke. Coca-Cola had built such strong associations with its flagship brand that people did not want to see a new logo. And despite the test results, consumers could not be convinced about the superiority of the New Coke formula (see Figure 1.10).

In commodity-like markets (e.g., industrial products, bank services), the **functional risks** dominate the social–psychological risks. The brand emphasis is then on convenience and habitual repeat behavior. Gasoline, airlines, hotels, and other service businesses offer frequent user awards to sustain their brands. Strong brands in services can certainly be as powerful as in products. But the service brand is usually sustained by the “stickiness” of usage, created by premium offers for frequency (the carrot) and switching barriers due to network incompatibility, inconvenience, and registration procedures (the stick).

Supporting Self-Expression

A strong brand will raise defensive barriers, keeping existing customers loyal and reassuring them that there is no need to evaluate competitive alternatives. However, it is not enough to mitigate functional risk and psychological risk. These functions are important and reflect the reassuring and protective role of a strong brand. But brands also have a more positive and affirmative role in today’s markets. The brand is a tool for self-realization, a symbol of aspirations, a sense of

Figure 1.10 The Ill-Fated New Coke



Source: https://en.wikipedia.org/wiki/File:New_Coke_can.jpg; My100cans

Figure 1.11 The Old College Classic “Must-Have” Jansport Backpack

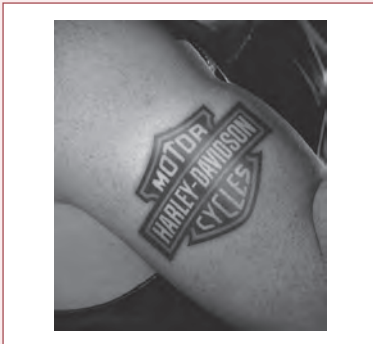


Source: jansport_superbreak_backpack_hedge_green_1

achievement (e.g., Aaker, 1999; Chernev, Hamilton, & Gal, 2011). Self-expression is not simply an issue for buyers of so-called **hedonic products** such as luxury watches, sports cars, and designer clothes but affects also more utilitarian choices (Belk, 1988). Not so long ago it seemed almost impossible for a college student to show up on campus with anything other than a JanSport backpack (see Figure 1.11).

The JanSport brand served to define “who you are.” In a similar way, acquiring a Mercedes car can foster peer group acceptance and also express a person’s identity, an adult who has achieved something and wants to show it. The brand helps express a certain personality, and the brand’s character becomes linked to the user. The brand transcends the particular product and service, and becomes a means to an individual’s expression of self. They can even take on the mythical aura of icons (see the Iconic Brands box).

Figure 1.12 An Iconic Harley-Davidson Tattoo



Source: <http://tattoosony.blogspot.com/2011/06/popular-harley-davidson-tattoo.html>

Iconic Brands

The perspective of brands as transcending the product or service has variously been called emotional branding, iconic branding or cultural branding (Holt, 2004; Schmitt, 1999). The common thread in these views is the concept of the brand as an embodiment of a story or myth behind the brand (Zaltman, 2003). It is this myth that allows the brand to become iconic, meaning that they stand for much more than the particular product or service. Apple is more than electronic products. It has the aura of audacity, rebellion, and uniqueness. Corona is more than just a beer; it is a way of breaking away, of pure hedonism, of enjoying life. According to its ads, a Patek Philippe watch tells more than time—it tells of heritage and old family ties, proud achievements long in the making.

It is not surprising to find that these **iconic brands** in their advertising and marketing communications tend to avoid direct references to the product or service and instead focus on users, their dreams and aspirations, and the spiritual uplift that the brand name and logo confer. Consuming a Corona beer is not the point, but feeling the security, the greatness, and the perfection that comes with holding the frosted bottle is the point. “That’s me.” At the most extreme, consumers become members of the brand “community,” sharing a common bond—the Harley-Davidson bikers are a typical example. You will know you have a strong brand when your customers tattoo it on their arms (Figure 1.12).

These kinds of personality *codes* are not new. They originated with luxury brands from Europe, whose main appeal might be with the status cachet that they offer for the user. These brands, called “griffes” by the French (Kapferer, 2004), include names such as Louis Vuitton in trunks and leather goods, Patek Philippe in watches, and Chanel in perfume. They become symbols of a luxurious lifestyle and a perception of high self-worth for the individual user. The concept has gradually been adopted and extended to less exalted products. They even include seemingly mundane names such as Coca-Cola, Corona, Apple, and Starbucks (Holt, 2004). Of course, some brands are not conspicuous enough to stand out. Colgate may not be an iconic brand for this reason. But in the global market place, brands and logos are becoming increasingly overt and explicit. In China, breaking new ground, men’s suit labels are sometimes sewn on the sleeves, to make sure the owner’s station is duly appreciated.

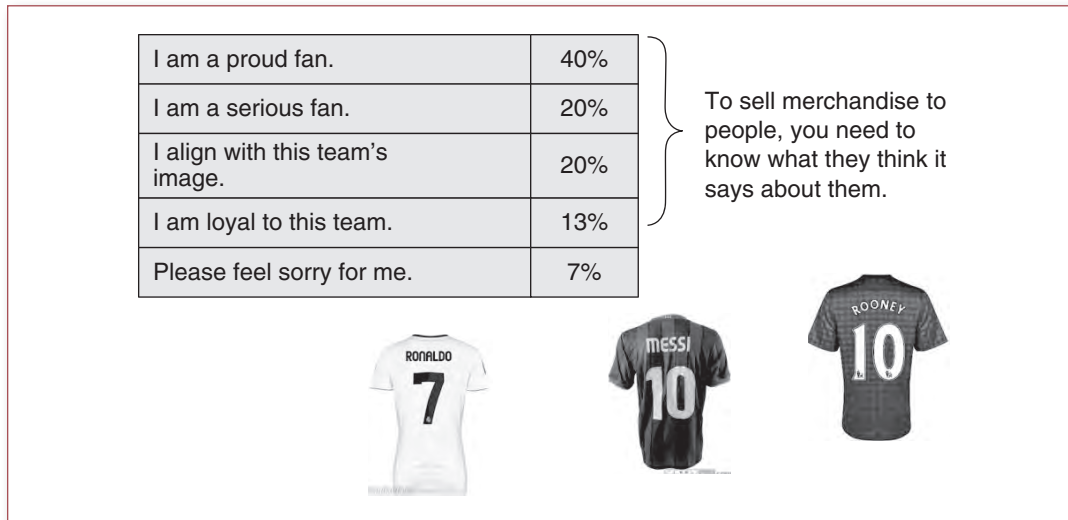
In a study by one of the authors, sport fans were asked what they wanted to express when wearing the jersey of their favorite team. Figure 1.13 shows some of the most common answers.

The last answer probably reflects the not-so-uncommon reaction to rooting for a team that is a perennial loser.

It is important to understand that the self-expressive effect occurs whether the consumer likes it or not. There is always a risk that the consumer buys a product with a self-expressive effect that is different from that intended. You may think you are expressing a youthful rebelliousness by driving a BMW, but others see your gray beard and dismiss you as a phony. A man may buy a Louis Vuitton bag only to worry afterward that it is basically a woman’s brand, even though its ad campaigns have tried to make it more unisex (Chow, 2011). A political candidate getting his outfit from Brooks Brothers will view himself very differently from one with Armani suits—and will in fact be seen differently. “As you are dressed you get judged,” as some say.

Simplifying the Decision Process

Because of the reduction of the risks involved in consumer choice, a strong brand can help simplify and shorten the consumer decision process.

Figure 1.13 Self-Expression Via Team Jerseys

Source: <http://www.futbolcamiseta.es/> ; soccerpro.com

The consumer decision process is typically seen as a sequence of steps: (1) problem, (2) search, (3) consideration set, (4) evaluation of alternatives, (5) intention, (6) brand choice, and (7) satisfaction (see, e.g., Kotler & Keller, 2012, p. 166). It is well known that in many cases the consumer will not really proceed sequentially through these steps before making a choice (e.g., Dowling & Staelin, 1994). Habitual purchases for many household products and personal care products are common. Impulse buying of low-priced convenience goods happens without much thought or preplanning. Even high ticket items, which usually forces consumers to be more deliberate, do not always follow the sequence of steps. Brand loyalties in cars, computers, and smartphones can make consumers oblivious to competing brands. One reason for the vast number of similar me-too models in these durable goods categories is to offer customers no reason to change brands—all brands have the same features.

It is the risk reduction of strong brands that help assure consumers that even the shortcuts in the decision process are not going to be fatal. Strong brands can offer reassurance to consumers who do not plan every decision. Making choices on the basis of brand strength is a choice strategy that protects against mistakes and frees up consumer time (Bauer, 1960). This is also why there is a lot of research in many countries on the trust of brands among consumers. In the 2013 U.S. rankings by Harris Interactive, the highest trust score was achieved by Amazon.com, followed by Apple and Walt Disney (<http://www.harrisinteractive.com/Insights/EquiTrendRankings.aspx>). In India, the highest trust score in 2012 was reached by Colgate ("Most Trusted," 2012). For emerging markets, the most trusted brands are usually foreign, but in more mature markets they are homegrown. In 2013, the

most trusted automobile make in Russia was Toyota, but in Germany it was Volkswagen and in France it was Renault (“Trusted Brands 2013,” 2013).

Product Category Differences

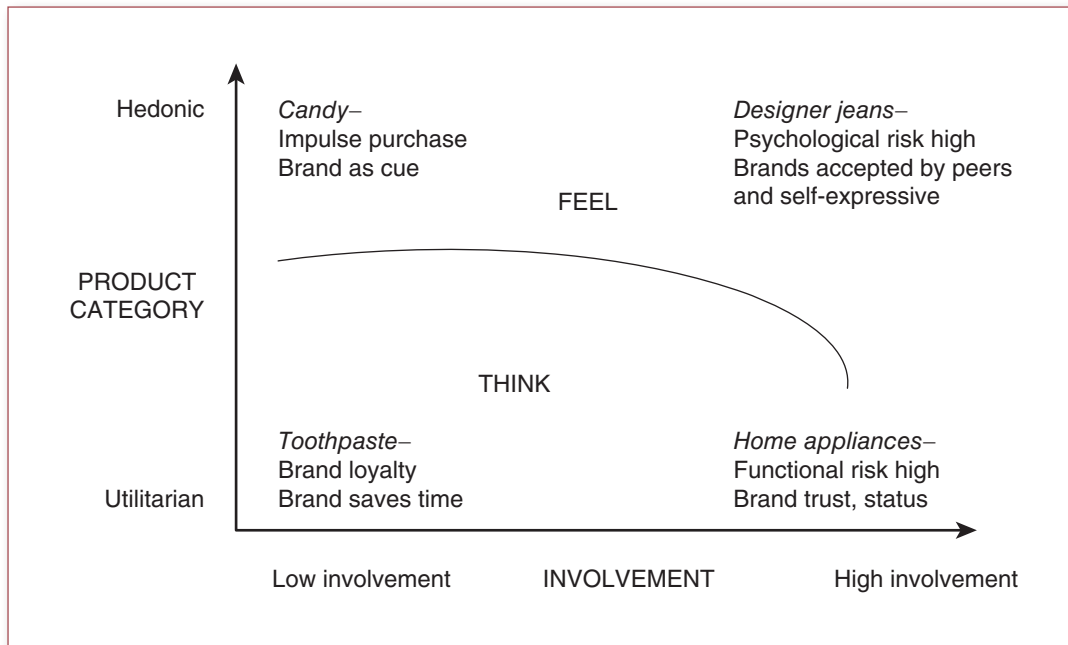
Of course, the role of the brand varies across product categories but how is not always obvious. There is surprisingly little research in this area, but research on brand importance has found that brand matters more in categories such as beer, cigarettes, and personal computers and less for paper tissue and headache pills (Fischer, Voelckner, & Sattler, 2010). This suggests that brands matter less in commodity-like products and more in differentiated products.

But whether a product category is commodity-like or not turns out to be partly a matter of promotional effort. Recently, marketers have been able to generate strong brand effects in previously indistinguishable products such as vodka, bottled water, and luggage—as consumers grow ever more sophisticated, even the produce section in grocery stores has become an area of branding importance. Also, somewhat counterintuitive, the brand can be less important as the importance of the choice increases. For example, when products are expensive, the consumer is usually more involved and so will spend more time analyzing specific product pros and cons rather than making a choice on brand alone. Overall, where the risk of disappointment is high, the brand matters more. Also, the brand matters more when consumption is visible to others.

To understand the role of the brand in different categories, it is useful to distinguish between a very rational analysis (this is sometimes called the *think* aspect of a purchase) of the pros and cons of a car, say, and the more emotional involvement (the *feel* aspect) when buying designer clothes, expensive jewelry, and such products (e.g., Claeys, Swinnen, & Vanden Abeele, 1995). In both cases, the brands will support the **self-expressive benefits** for the customer (see Figure 1.14).

In **low-involvement product** categories, the brand can also be important but for different reasons. For low-involvement utilitarian think products such as detergent, the brand simply ensures reliability and good functioning. Here is where brand loyalty becomes a strong factor, with habitual purchases of the same brand. The brand may not seem important in a survey, but the consumer simply stays with the trusted choice, with no functional risk taken. In this case, the lack of a well-known brand can be a great obstacle for a newcomer, since no real analysis of pros and cons is undertaken by the consumer.

For low-involvement emotional-based feel products, brands again can serve an important but different role. This situation is a typical “impulse” purchase situation, and exposure to the brand can stimulate a need and desire. Since very little deliberate consideration of the purchase takes place, a well-known brand—as opposed to a lesser brand or a generic—will remove one obstacle for the choice. A famous brand can lower functional risk—you know beforehand what a Snicker’s bar tastes like. The psychological risk of guilt feeling may remain even with a strong brand, but advertising tries to find reasons why consumers should indulge. Chocolate brands such as Godiva provide good examples of how brands do matter for sensory pleasures.

Figure 1.14 The Role of the Brand for Different Product Types and Levels of Involvement

WHAT BRANDS DO FOR FIRMS

Firms that take the time and effort to design and build strong brands can benefit greatly from these investments. The increased consumer preference and loyalty of strong brands are essentially monopolistic advantages that allow the firm pricing advantages and also lead to other benefits.

The firm benefits can be divided into four categories: (1) pricing advantages, (2) channel advantages, (3) entry barrier advantages, and (4) stock market advantages (see Figure 1.15).

Pricing Advantages

Strong brands can collect a price premium from customers over lesser brands. This ability to charge a higher price than competitors will hold even when the products are comparable. A company like Sony used to be able to maintain a 10% premium on its competitors in consumer electronics from Panasonic, Sharp, and others (Nathan, 2001). The recent decline in the Sony brand value has eliminated some of this premium. The strong brand essentially “adds value” to the product, and a weak brand subtracts value.

Figure 1.15 What a Strong Brand Does for Firms

- | | |
|----------------------|---|
| • PRICING ADVANTAGES | • Reduces customer price sensitivity, yields a price premium |
| • CHANNEL ADVANTAGES | • Increases channel leverage, facilitates entry into distribution |
| • ENTRY BARRIERS | • Increases customer loyalty, improves customer retention, lower customer acquisition costs |
| • STOCK MARKET | • Brand equity is a major intangible asset, raises share values |

The pricing advantage also relates to price changes. Demand for a product with a strong brand is more inelastic, meaning price increases do not hurt the brand as much as they would a weaker brand. This is the monopolistic effect focused on by economists. In the same way, a strong brand insulates the company from a price war. A firm with a strong brand does not have to respond to a temporary price discount and will try to avoid having consumers become too focused on price. Apple's pricing strategy with the iPhone and iPad offer good illustrations (Farber, 2012). Firms with weaker brands, on the other hand, usually have no choice but to offer price reductions and compete on price.

Channel Advantages

Access to distribution channels is important for very obvious reasons but can also be a real obstacle for market entry. It is common for retailers to charge upfront "slotting" fees for shelf space and ask for shelf stacking, for example, and for wholesalers to require extended credit, high commissions and rebates (Kotler & Keller, 2012, pp. 404–407). A strong brand will facilitate entry in many ways. Retailers like to stock famous brand names, because they attract consumers and can be used as *loss leaders*. A strong brand such as Colgate can negotiate lower fees and avoid extra charges, lowering distribution costs (see Figure 1.15). Some of these advantages play out even stronger in emerging markets where distribution channels are the key to market penetration.

There are other advantages to a strong brand in various distribution channels. In the United States; for example, big brand names contract with universities and other institutions

to become the sole provider of certain products. On some campuses you can only find Coca-Cola vending machines, no Pepsi. In other campuses, it is the other way around. Some companies contract for the use of FedEx alone, excluding UPS. More questionable on ethical grounds was the power struggle in the 1990s between filmmakers Kodak and Fuji, where the parties were alleged to have threatened distributors who stocked both brands (<http://internationalecon.com/wto/ch2.php>). Sometimes even a strong brand is not strong enough to win against another strong brand.

Entry Barrier Advantages

To economists, the consumer's loyalty to a strong brand becomes an *entry barrier*. Because of customer loyalty, a strong brand can defend its market share against encroachment by competitors. Strong brands can also engage in price competition with actual and potential new entrants, lowering market attractiveness and discouraging entry. It might also be able to poach customers from competitors by temporarily offering lower prices. All in all, a firm with a strong brand will have greater pricing power and some monopolistic-like advantages.

A strong brand protects an existing firm from competitive entry because establishing a strong competing brand is expensive. In his classic study of barriers to entry in the United States, J. Bain (1956) pointed to the high advertising costs in America as one major reason for monopolistic advantages. Today, he would likely have stressed the ensuing brand strength of the highly advertised brands even more.

The role of strong brands as entry barriers can be seen most clearly in the difficulty emerging country brands have in penetrating western markets. Because of the practice of outsourcing and the wide diffusion of manufacturing and technology, many firms in emerging countries can produce—and do produce—world-class products and services (as in IT software, for example). But they are unknown, come from a less developed country, and face entrenched strong brands with high loyalty. Such entrants often have to start as subcontractors to better known brand names, and then slowly attempt to grow their own brand. Samsung and LG from Korea took years to grow from original equipment manufacturer (OEM) to world-class brands in electronics and home appliances. Infosys and Wipro from India are now trying to do the same in IT systems, against Accenture, IBM, and others. China's computer-maker Lenovo took a shortcut by buying IBM's ThinkPad, while in automobiles Chinese Geely has bought the Volvo brand and India's Tata has bought Jaguar (Chattopadhyay, Brata, & Özsomer, 2012).

At the same time, strong brands help break down and overcome entry barriers. A company with a strong brand will have an advantage in entering a new or related market. For example, when Unilever extended its Dove soap into the hair care market, it faced a range of strong incumbent brands. By using the Dove brand name, Unilever was able to draw on the existing recognition and strong image of the leading premium Dove soap to establish both shelf space in distribution and mind space among consumers (www.dove.us).

Overcoming entry barriers is also an issue when entering foreign markets. A strong brand's advertising will often spill over country borders, and the brand will be recognized

outside its immediate market country. This makes it possible to draw on an existing awareness when entering abroad, helping to overcome the natural resistance of consumers when facing unknown brands, especially if they are loyal to a local brand. The immediate success of strong brands such as McDonald's and Starbucks when entering into some foreign markets has been well documented in the media (Wang, 2012; Weaver, 2012).

Stock Market Advantages

Strong brands offer companies the advantage of higher share prices. Strong brands are recognized in the stock market as very valuable assets, and the effect is a higher share price for the company (e.g., Mizik & Jacobson, 2009; Srinivasan & Hanssens, 2009). The company is more valuable.

Strong brands have also been shown to translate into lower risk for the shares (e.g., Rego, Billett, & Morgan, 2009). This means lower volatility in their shares, and in a stock market downturn, the shares will lose less. The investors recognize that a strong brand will likely have a more loyal following, so the shares are a more secure investment.

Although the brand impact on the share prices usually plays a minor role in brand management, there are cases where branding decisions have been made with an eye on the stock market. The Japanese automobile marque Datsun was changed to the company name Nissan partly in order for Western investors to recognize the Nissan stock ticker (Yip, 2007). Another example was Belgian beer maker InBev deciding to make Stella Artois its one global brand in order to make the corporate global ambition clear to investors in the stock market (Beamish & Goerzen, 2000).

SUMMARY

Brand names and logos have become increasingly important over time as competitive products often share the same functional and design features. Strong brands then become important competitive weapons.

An established brand has a clear brand identity, based on what the company behind the brand stands for. It also has a clear brand image that evokes certain tangible and intangible product characteristics. As it gets more mature and more broadly established, it also can develop a certain personality, transcending the product itself. When these three parts of the brand are diffused in the marketplace, the brand has become an established brand.

The brand can affect consumer decision making at almost every stage of the process from "need" to "purchase" and "satisfaction." There are three basic roles that brands play throughout this process. In the first instance, strong brands serve to reduce functional risk. The brand stands for a promise of acceptable functional performance, and the customer does not need to fully evaluate the effectiveness of the product or service but can accept it on faith.

But customers choosing between competing alternatives also face psychological risk. The perceived risk rises with the amounts at stake but can also consist of the tension

involved in choosing between similar alternatives, the chance that the choice is not acceptable to a peer, or simply that the choice affects someone close, as in gift-giving. Again, choosing a well-known brand can help alleviate any cognitive dissonance and reduce psychological risk.

Brands also serve as accessories to an individual user's self-expression. Choosing certain brands can help support a self-image of careless attitude, easygoing personality, and a lively temperament. Other brands can help project oneself as being mature and honorable and having seriousness of purpose. Iconic brands offer images and myths that transcend the particular product or service and become emblematic of the lifestyles and personality of their customers.

How important the brand is in consumer decisions depends partly on the product category. For **high-involvement products**, brands almost always matter, but even in low-involvement product categories brands can matter as habitual and impulse purchases become more common.

Strong brands also offer clear benefits to companies. These benefits involve monopolistic advantages in pricing and advantages in channel penetration. Strong brands also offer protection via entry barriers for new competitors, and well-known brands can serve to overcome barriers in foreign markets. There is also a more indirect effect of strong brands on a company's share price. Investors and investment analysts tend to favor shares of companies with well-known brands, helping raise the share price of the stock and reduce investor risk.

This text is about brand management. It is a primer on how such a valuable brand is created, built, sustained, and defended. It discusses how to choose a brand name and logo, how to develop an imaginative launch campaign, how to position the brand for maximum effect, how to keep the momentum going as the brand gets established and the initial euphoria starts to fade, and how to manage several brands for synergies in the brand portfolio. The overriding purpose is to help any brand manager define the appropriate strategy for establishing a strong brand, and to show how imaginative management can help avoid the many pitfalls that all strong brands encounter along the way.

KEY TERMS

Brand identity, Brand image, Brand personality, Brand style, Functional risks, Hedonic products, High-involvement products, Iconic brands, Low-involvement product, Psychological risk, Self-expressive benefits, Utilitarian products

DISCUSSION QUESTIONS

1. For a well-known brand of your own choice, try to distinguish between its identity, image, and personality.
2. For what kind of products is functional risk more important than psychological risk? When is the opposite true?

3. Discuss how easy or difficult it is to evaluate an automobile (or some other high-involvement product) without knowing the brand name.
4. Think of examples where your own purchases are based on brand in order to simplify and reduce the time spent. Then explain why this may be a good decision rule.

MINICASE: THE WORLD TRADE CENTER BRAND

For many, a mention of the “World Trade Center” probably brings to mind the terrorist attack in New York City on September 11, 2001. Many might also recognize how that instantaneous mental association is exactly what strong brands also try to kindle. But not many might realize that “World Trade Center” is, in fact, a registered brand name. It belongs to the World Trade Centers Association (WTCA), a nonprofit organization headquartered in New York. The New York Port Authority, which owns the lower Manhattan land where the Twin Towers stood before Sept. 11, 2001, is among more than 300 worldwide members that pay the WTCA a fee to use the words “World Trade Center.”

The story of how “World Trade Center” became a registered brand is instructive of the power of branding. After the construction of the Twin Towers was finished in 1973, New York City initiated a branding campaign around the “I ♥ NY” tagline, suggesting a resurgent, global New York. This new brand was registered as a trademark, covering also the use of the heart motif itself. The logo was frequently used by private-sector media and marketing firms, and many firms outside of New York and the United States adapted the motif to their own city of country. Some paid licensing fees, some not. New York City still tries to uphold its trademark by filing objections against unlicensed users and imitators at home and around the world.

As part of the “I ♥ NY” branding campaign, but more as a side effect, the “World Trade Center” became a brand in its own right. In 1986, a retiring official at New York’s Port Authority managed to acquire the separate rights to the name “World Trade Center” for the WTCA, where he became president. The WTCA paid a paltry \$10 for the name. After the September 11 attack, the name became the most important part of the New York brand, “re-branded” as a patriotic destination. In the most recent years, with New York’s resurgence it has again become a symbol of resourcefulness and global ambitions as well. With the wide publicity, it has also become a much more valuable asset.

Of course, today the value of a brand has become more generally recognized. In September 2013, this recognition led to news-reports raising the issue of the unreasonably low price paid for the name. Public officials voiced their concern and particular outrage was directed against the official who had engineered the deal. According to tax documents, he had been paid \$575,156 in 2010 and \$626,573 in 2011, his last year as president of WTCA (he passed away in February 2013).

The association says its mission is to extend the World Trade Center brand. Its more than 300 members pay the association thousands of dollars every year so they can use the words

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"World Trade Center" in their names. WTCA has strict "brand guidelines" that they are supposed to follow, down to the logo and colors for items like letterheads and business cards. The associations Web site states that at headquarters "Focus is on managing and building the WTCA brand, and working with WTCA's intellectual property attorneys to protect our name and service marks around the world . . . also provide support for a variety of member matters" (http://www.wtca.org/cms_wtca/index.php/become-a-wtca/the-wtc-concept).

The association's tax filings indicate that most of its money comes from memberships—\$3.3 million in 2011, the last year available. It ended that year with \$14.2 million in net assets; it spent \$483,573 on conferences, conventions and meetings.

It is clear that WTCA most likely provides a worthwhile service to members and society at large. For example, in 2011 its foundation gave \$46,767 to the Japanese Red Cross after the magnitude 8.9 earthquake that struck northern Japan and the tsunami that followed. Nevertheless, as a return on investment, it is clearly difficult to do better than the ROI the WTCA scored on its \$10 branding bet.

Discussion Questions

1. The World Trade Center seems such a generic brand name and thus not easy to enforce as a legally protected brand name—what can WTCA claim that makes WTC special?
2. Why do you think the Port Authority let the name go for just \$10? What other price makes sense? (Chapter 2 will get into brand valuation more).
3. The public officials in New York are planning to try to claw back some of the earnings of the WTCA President from his relatives—do you think that will work?
4. One learning from this case is that brands can be established from special circumstances for the most generic products—try to think of other similar examples (Hint: Think of branding fried chicken or water).

Sources

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SUGGESTED PROJECTS

Brand Identity Exercise: Select three different brands in a category. Write down all the identity elements that are shared and those that are not shared by the three brands. Create a three-circle Venn diagram, with each brand represented by one circle (see Figure 1.16). Write the shared traits in the overlapping regions of the Venn diagram and other traits outside the overlapping regions. If done correctly, brands that share a lot will have a larger region of overlap than those that share less.

Brand Image Exercise: Select a brand of interest (e.g., a university). Get a large piece of poster board, scissors, glue or tape, and several magazines from various different genres. Have a team of two to three people cut and attach pictures and words to the poster board that represent the brand to them. Also allow them to draw or write on the poster board. When finished, ask them to express in one paragraph or less what the brand means to them.

Brand Personality Exercise: Select a brand of interest. Find a sample of 20 people, and give each person the same list of human personality traits. Ask them to circle the three traits that most represent the brand to them personally. Collect the traits from all 20 people, and enter them into a word frequency mapping program (e.g., www.wordle.net/create) to create a brand personality cloud map.

Figure 1.16 Brand Identity Elements

