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# 1. DEFINING BRANDS

**“Aren’t brands just about dressing a product up in pretty packaging?”**



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## Using this guide

### Navigation

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## > To Branding website

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## Margin icons

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## > Case study

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## > FAQs

Gives answers to frequently asked questions.



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Indicates additional material on the same subject. This information may be located within the same eGuide; in one of the other six eGuides (in which case the link will only work if the pdfs of the other eGuides have been downloaded into the same folder); or on a separate website (in which case the link will only work if the pdf is being viewed online).



**Brands may start life in planning documents but ultimately they rest in the minds and hearts of people.**

## Introduction

**“Aren’t brands just about dressing a product up in pretty packaging?”**

People don’t drink a sweet-tasting brown liquid: they drink Coca-Cola, with all the connotations surrounding that brand. The value of brands resides in the minds of those who use them. Brands may start life in planning documents but ultimately they rest in the minds and hearts of people.

Brands are thus much more than just logos or names. They are the culmination of a user’s total experience with the product or service (or company) over many years. That experience is made of a multitude of good, neutral and bad encounters, such as the way a product performs, an advertising message, a press report, a telephone call, or a rapport with a sales assistant.

In a wider sense, a brand is the effect on the user of everything the company does and how it behaves. It is not the responsibility of one department but of the whole organisation. Every employee influences brand encounters.

Get it right and the brand strengthens, users become more loyal, shareholder value increases, business partners are attracted and employees enjoy a better environment. Every stakeholder has a stake in the brand.

## The case for brands

**Brands are important to users in terms of:**

### > Choice

Choice works in two ways. First, consumers have much more choice over where to spend their money and, thanks to technology and globalisation, those choices are becoming almost limitless. But that in itself has created a crowded and competitive marketplace.

A good brand can save the consumer time and effort and act almost as a shorthand device of trust when making a choice between competing products. Consumers choose between brands, in part on the basis of the value for money they provide, but also for reasons of function and emotion. Brands help consumers decide what to wear, eat and use, and how to shop, travel and manage their money.

*"A brand is a complex thing. Not only is it the actual product, but it is also the unique property of a specific owner and has been*

*developed over time so as to embrace a set of values and attributes, both tangible and intangible, which meaningfully and appropriately differentiate products which are otherwise very similar."* [John Murphy, founder of Interbrand]

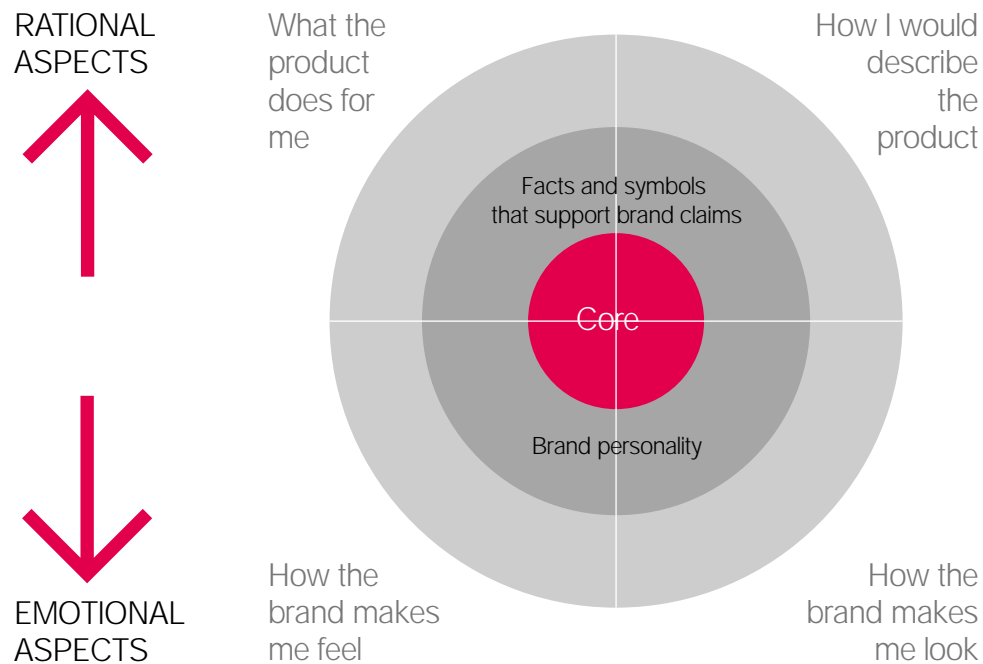
### > Relevance

Brands often evoke strong rational and emotional responses and have been described as 'a powerfully held set of beliefs by the consumer'. Successful brands create a special relationship between the customer and the company by meeting not just functional but also emotional expectations in their experience with the products/services and the way they are presented.

The brands consumers choose can reinforce their self-image and generate peer-group approval. They can thus be a form of social shorthand, with a consumer's choice of brand making a social statement for which that consumer is willing to pay a premium. Brands can also offer aspirational targets, as well as putting people in touch with like-minded individuals.

**The brands consumers choose can reinforce their self-image and generate peer-group approval.**

**Figure 1.1: Brand essence** A statement of how the brand is defined (facts and feelings) in people's minds



Source: British Brands Group (2001) Innov8: Brands and the Innovation Imperative. *The Brand Conference 2001 Summary*. British Brands Group. © Priceline 2001-2

People use brands to make statements about themselves [Goodchild and Callow, 2001]:

*I am a high achiever* – Mercedes, Rolex, Hermes

*I am on my way to the top* – BMW, Tag Heuer, Armani

*I am an individual* – Apple, Swatch

*I am a world citizen* – British Airways, Benetton

*I care about the environment* – Cooperative Bank, Body Shop

*"In the modern world brands are a key part of how individuals define themselves and their relationships with one another."*

[Sir Michael Perry]



Case study: Harley Davidson

### > Satisfaction

A good brand reduces the risk of a potentially poor choice and offers the consumer a guarantee of consistent performance, quality and thus satisfaction. While many consumers are happy to shop around, they are unwilling to risk their money on a product which they fear may not deliver.

The important point to make is that satisfaction is based on both expectation and performance. However, this isn't a static process: brands have to evolve to meet the changing needs of consumers through continuous innovation and improvement.

Consumers' wants and needs are ever-changing and brand managers need to stay in touch with the public's demands. In the past an item of clothing that looked hard-wearing may have been the choice of preference for a customer; today the designer label attached may have more importance. Safety may have greater importance in a person's choice of car, cholesterol levels in their choice of sandwich. As tastes change, brands that don't evolve can stagnate and lose relevance.

**Brands are important to brand owners in terms of:**

**> Sustainable advantage**

Brands are a company's prime asset and the foundation of the business. They are the source of revenue and profitability and the key to future prosperity. They are the reason consumers choose one company over another. By creating consumer preference and adding value to consumers, the

increased value to a brand owner may be significant. Often 40-75% of a company's assets may be attributed to brands.

Successful brands not only promote loyalty and even advocacy among customers, but they also generate price premiums and form the platform for long-term growth with the ability to use the brand franchise to move into new segments or even sectors. This is becoming critical as differentiation becomes ever more difficult in the face of better, faster and cheaper competition.

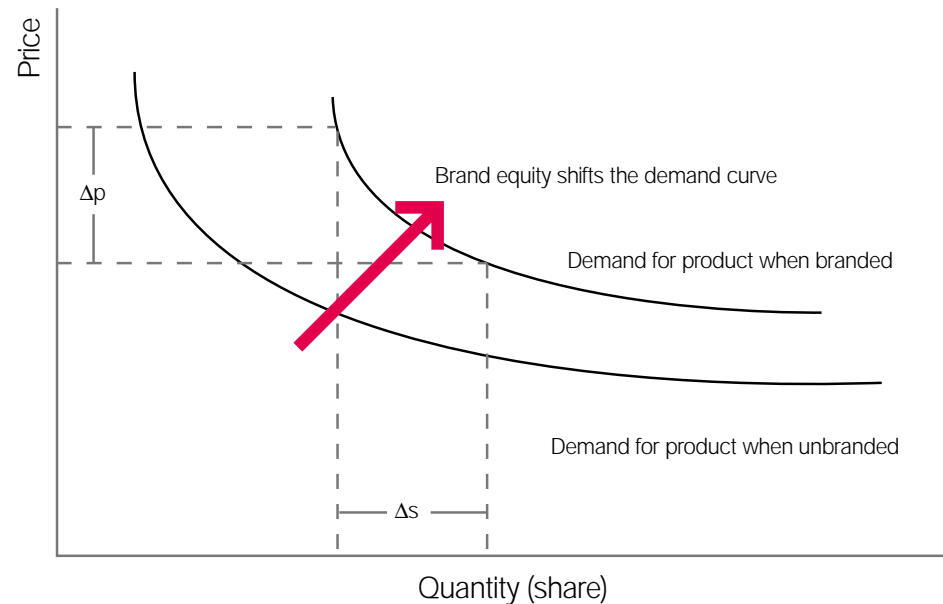
History shows that during an economic downturn or recession, brands that invest ahead of the competition do better during the slowdown and recover much more quickly on the upturn.

*"As to valuing brands, fashions in business models may come and go – but cash flow remains a trusty and constant yardstick. The allegiance that a consumer feels towards a favourite brand – the predisposition to purchase that is built on a better product and a more useful bundle of benefits – is a capital asset. It is a reservoir, if you like, of future cash flow."* [Niall FitzGerald, chief executive, Unilever]

**During an economic downturn or recession, brands that invest ahead of the competition do better during the slowdown and recover much more quickly on the upturn.**



Figure 1.2: Brands shift the demand curve: all else being equal, brand equity shifts the demand curve, resulting in a higher price and/or share



Source: Almquist, E.L., Turvill, I.H. and Roberts K.J. (1998) Combining economic image analysis for breakthrough brand management. *Journal of Brand Management*, Vol. 5 (4), p. 275.



## > Defendability

The realisation that brands, although intangible assets, have substantial worth has focused their owners' minds on protecting them. That coincides with a worldwide trend in intellectual property which makes that protection feasible and comprehensive.

A trademark is thus an important part of brand strategy. It acts as a powerful differentiator between goods and services, it indicates the source or origin of those goods and services, it acts as a signal for quality built up in a brand over time, and registered rights, unlike patents, can go on indefinitely.

In addition to registration, some countries have unfair competition laws while others, like the US, UK and Australia, offer a parallel protection system called 'passing off', whereby owners can bring an action against someone confusing consumers. However, in the case of lookalike brands, this has often been difficult to prove.

**Brand leaders commonly have lower costs, particularly because of scale economics in marketing spend.**

## > Share performance

Strong brands can have a positive impact on share performance. For example, a study by EquiTrend in the US has found that companies experiencing the largest gains in brand equity saw their stock return average 30%. Conversely, those firms with the largest losses saw stock return average a negative 10%. [Aaker, 2000]

The level of cash flow is the most important determinant of shareholder value. A brand's cash flow is determined by four factors: its price, growth, costs and investment. If a brand can achieve a brand premium this has a major impact on its value. There is considerable evidence that successful brands do achieve price premiums.

Successful brands should also grow faster, again increasing the level of cash flow. Brand leaders commonly have lower costs, particularly because of scale economics in marketing spend. Finally, strong brands can have lower investment levels (as a proportion of sales) because of their greater potential leverage over the supply chains. [Doyle, 1989]

**Brands are important to distributors, retailers and financial agents in terms of:**

## > Traffic generators

Traditionally the investments brand owners put into building their brands in terms of innovation, marketing and distribution act as 'pull-through' and bring customers to those who distribute them.

In more advanced sectors such as food retailing, however, where the power is consolidated in the hands of a few big companies, the retailers themselves have become strong brands in their own right, so can no longer be seen as merely a 'channel' to market by manufacturers.

## > Margin

Added values provided by brands command higher prices because of the improved consumer offer. This yields higher margins to distributors than those from commodity products.



## Own label accounts for over 40% of grocery sales in the UK.

### > Loyalty

Middlemen can benefit from brands – like Harley Davidson, for example – that have gone a step beyond achieving visibility and differentiation to developing deep relationships with a customer group. This provides a stable sales base. [Aaker, 2000]

*"The acid test on the issue (of brand loyalty) is whether a housewife intending to buy Heinz Tomato Ketchup in a store, finding it to be out-of-stock, will walk out of the store to buy it elsewhere or switch to an alternative product."* [Tony O'Reilly, ex-CEO of H J Heinz (Lury, 1998)]

### > Image

Middlemen benefit from the image of successful brands. Image is what exists in the minds of consumers. It is the total of all the information they have about the brand, whether from experience, word of mouth, packaging, marketing, service and so on.

### > Own brands

Private label products provide retailers with an opportunity to generate higher margins because of the very different cost structures between private label products and brands.

Own label accounts for over 40% of grocery sales in the UK. The strength of private label in food retailing has altered the trade relationship between the manufacturer and retailer, with the retailer now both a major customer and a powerful competitor – particularly when brand manufacturers make private labels products as well as their own brands.

This can give retailers a significant competitive advantage. Brand manufacturers, however, have been rising to the challenge through continued investment and innovation, competing on the basis of quality and value.

## Brands are important to the economy in terms of:

### > Economic value added

The role of manufacturers' brands in the UK economy is highly significant because brand manufacturing stimulates demand and drives the market forward. At home and abroad many of Britain's major companies are built on brands. Their success contributes to the success of the national economy.

**In the often saturated markets of the late 20th century, the market-building potential of brands is a major service to the economy.**



Case study: Gillette



Case study: Pedigree Masterfoods

## > Exports

A report by Coopers and Lybrand in 1995, based on a limited definition of the packaged goods sector, suggested that producers' of branded consumer goods (excluding private label) accounted for exports valued at around £6 billion a year.

## > Innovation

Brands play a critical role in stimulating innovation. In some markets demand is driven by constant innovation. For example, the tortilla chip sector has grown nine fold since the launch of Walker's Doritos. In the often saturated markets of the late 20th century, the market-building potential of brands is a major service to the economy.

A report by Coopers and Lybrand in 1995, based on a limited definition of the packaged goods sector, suggested that producers' of branded consumer goods (excluding private label) accounted for £50 billion of gross output and some 14% of total UK manufacturing.

## > Employment

Hundreds of thousands of jobs across the UK have been generated and sustained by companies who manufacture some of the country's most famous brands. A report by Coopers and Lybrand in 1995, based on a limited definition of the packaged goods sector, suggested that producers' of branded consumer goods (excluding private label) accounted for 400,000 jobs.

## Related reading



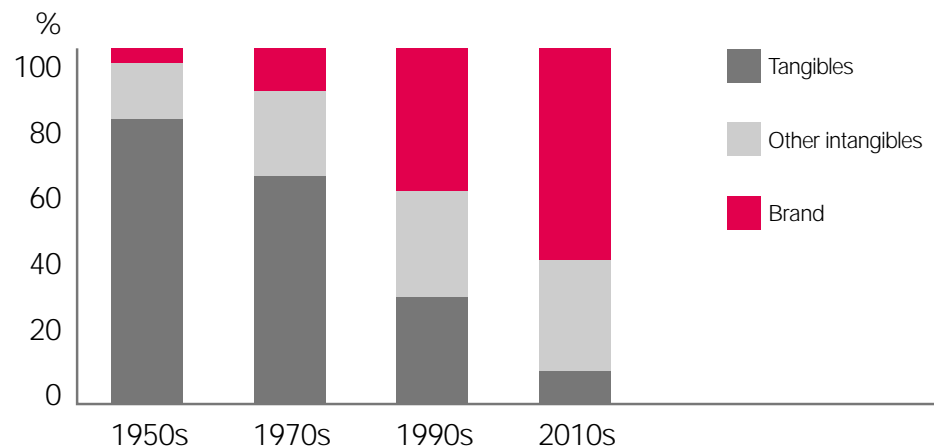
*Are Brands Good for Britain?*

## Branding importance in the future

### > Increasing choice

In a crowded, competitive, market brands will be the beacons that guide choice not only for customers but for employees, investors, partners and all a company's stakeholders.

Figure 1.3: Brands in the future: increasing role of branding



Source: Brand Finance (2001) *Brands in the Future*.

### > Distance purchasing (Internet)

A strong brand becomes even more important when dealing with consumers through the Internet. Brands play an important role in consumer behaviour on this channel. Online purchasing is more risky than purchasing in the real world, which makes trust an essential ingredient.

Research by Pro Active International among 12,000 Internet users in eight European countries found that over 50% of the respondents feel that the Internet is an important medium to make people aware of brands. Nearly two-thirds of the users are disappointed if they cannot find the brand they are interested in on the Internet, while over 75% say that they have encountered companies or brands on the Internet that they didn't know before.

On the other hand almost half feel that the Internet is primarily suited to purchasing brands they have bought before.



## > Globalisation

The world has become a smaller place as modern communications erode borders and time barriers and domestic markets no longer give companies the critical mass they need to survive. That offers both challenges and opportunities for brands. Opportunities, because brands that can find similar segments in different countries can travel. Challenges, because large brand owners can enter markets and compete with local brands.

So today brands are more important than they have ever been. As countries develop, the marketplace is expanding and becoming even more diverse. Both brands and consumers are increasingly thinking in global terms.

Brands are also important in the sense that a brand's reputation is increasingly more important to consumer choice than where a brand is made. Brands like Nike are made in different parts of the world. It's Nike's brand reputation that enables it win loyal consumers all over the world and charge a premium.

**A brand's reputation is increasingly more important to consumer choice than where a brand is made.**

## > More demanding customers

What is driving this is a powerful combination of technology, growing customer sophistication and the proliferation of choice. Companies have to become proficient students of their customers if they are to compete.

Changes in lifestyle, together with wide access to education and information, means that consumers are becoming both more sophisticated and more demanding. In addition, new technology, improved production and new media mean that the market is ever more crowded. The rewards to be gained from successful brand development may be greater but so are the risks.

And that means that companies have to really understand what consumers want and need, rather than just making products or offering services that they expect them to buy. They have to achieve economies of scale in the way things are produced, while making their brands relevant to individuals. Some brands tailor products and services for individual needs – a sort of mass customisation.

## Evolution of brands

[de Chernatony, L., 2001]

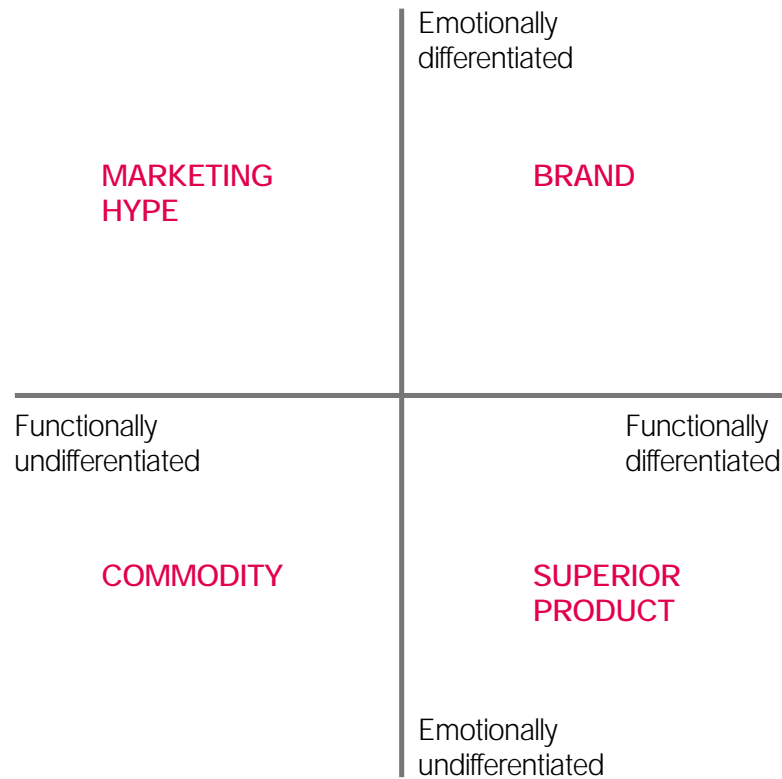
- > In Greek and Roman times, because of the high level of illiteracy, shopkeepers hung pictures above their shops to show the types of goods they sold. This was the forerunner of the brand logo being used as a shorthand device.
- > In the Middle Ages, craftsmen used branding as a form of legal protection against copying.
- > The first hallmark was stamped on silver in 1300 to indicate its source.
- > In the American West, cattle ranchers used a red-hot iron to brand their cattle as proof of ownership.
- > The advent of the Industrial Revolution began the move towards mass production, mass market distribution channels, mass media, and the separation of producers and end consumers. This led to the increased emphasis on branding, both to reassure consumers of the quality of goods they were purchasing and to help manufacturers differentiate their offer from that of competitors.

**People have been confidently differentiating between objects since they were first invited to make a choice between two identical arrowheads.**

- > Now that most basic consumer needs in the developed world have been satisfied, people's interests in brands have moved to a higher level – one in which they turn to brands which add value to their lives, not only in terms of tangible factors but intangible ones as well.
- > In the knowledge economy, brands are one of the few sources of competitive advantage because, if they are successful, they create a resonance in consumers' minds that is harder to copy.

*"It is people who call brands into existence – who form attachments, detest homogeneity, value consistency and delight in conferring personality characteristics on animals, entities and inanimate objects. People have been confidently differentiating between objects since they were first invited to make a choice between two identical arrowheads."* [Niall FitzGerald, FitzGerald 2001]

Figure 1.4: Functional and emotional differentiation



Source: Goodchild, J. and Callow, C. (2001) *Brands, Visions and Values*. John Wiley and Sons, p. 37.

## The core elements: brands versus commodities

### > User focus

A brand is much more than a product. While most brands start as 'products' – a set of functional and physical qualities – over time their values are enhanced, a relationship is built with the consumer, and they slowly emerge as brands.

### > Consistent

People believe in brands because they keep their promises. This doesn't mean that the product has to remain unchanged. Most successful brands continually improve or update their products to remain competitive or meet changing market requirements. [Feldwick, 1996]

### > Guaranteed quality

The brand name offers the value of reassurance [Feldwick, 1996]. This guarantee of consistent quality reduces any risk in the consumer's view that the product will not perform the intended roles. [de Chernatony, L., 2001]

Even in today's world of strict regulation, the brand still provides that quality assurance for every product every time.

## > **Relevant**

Successful brands deliver a value proposition – functional benefits, emotional benefits and/or self-expressive benefits. They create an association that resonates with the consumer because it is both relevant and meaningful. [Aaker, 2001]

The consumer is invited not only to bring the branded product into his/her life, but to identify with, and step into, the world of values and people which the brand projects. That is why brand owners have to remain at the cutting edge, providing consumers with a constant flow of new and improved products ahead of the competition.

**Brand owners have to remain at the cutting edge, providing consumers with a constant flow of new and improved products ahead of the competition.**

## > **Differentiated**

Certain brands have managed to embody certain ideas or viewpoints with which they have become almost synonymous. Even two competing brands that share a seemingly common brand identity can be differentiated by diverging interpretations and companion association. These points of differentiation are sustained by the brand over time. [Aaker, 2001]

Consumers are looking for something to help them decide between an increasingly bewildering set of alternatives. Brands simplify consumer choice by making certain key attributes the property of certain producers (Johnson & Johnson for baby care, Tide for detergent, Kellogg's for cereal, Volvo for safety), which makes them the obvious choice in their category. [Goodchild and Callow 2001]

**What gives these two brands their strength is the way they have leveraged their functional excellence into an emotional resonance in the minds of consumers.**

## > Communicated

Communication enhances all the attributes that distinguish brands from products. At one level, BMW and Mercedes are all about engineering excellence: BMW is performance focused, Mercedes is reliability focused. Both manufacture excellent products. But what gives these two brands their strength is the way they have leveraged their functional excellence into an emotional resonance in the minds of consumers.

For example, BMW has taken physical performance and used it to communicate a form of emotional aggression. Mercedes, on the other hand, has taken the concept of powerful reliability and used it to communicate a form of emotional reassurance.

## Definitions

### Input perspective: the producer's view

[de Chernatony, L., 2001]

#### > Brand as a logo

This was proposed by the American Marketing Association in 1960 and stresses the importance of the brand's logo and visual signifiers – mainly as a source of differentiation – such as the unique shape of the Coca-Cola bottle, the golden arch of McDonald's, the part-eaten apple of Apple Computers.

Such visual signifiers however tend to be more signposts for consumers. The brand is the impact these have on individual consumers, combined with their experiences over time.

#### > Brand as legal instrument

One of the simpler interpretations of a brand is ensuring a legally enforceable statement of ownership to protect against imitations. This is by no means clear-cut, as the continuing arguments about look-alike retailer brands and manufacturer brands shows.



**Brand positioning should be based not on what is done to the brand but what results in the customer's mind.**

## > **Brand as company**

At one end of the spectrum the brand has a unique name and isn't recognised immediately as being part of a company (Ariel as part of Procter & Gamble). At the other, the company is the brand (Halifax). There is increasingly a move towards this end of the spectrum, as consumers want to see the company behind the brands they buy, while for companies the corporate brand is becoming the emblem of their relationships with their various stakeholders.

## > **Brand as shorthand**

There is an enormous plethora of information confronting people, and it multiplies exponentially. To cope with a deluge of marketing information, the mind aggregates bits of information into 'chunks'. Continually reinforcing the link between a brand name and its attributes helps embed the relevant information into consumers' minds.

## > **Brand as risk reducer**

Consumers think about risk in a number of ways: whether the brand will perform as promised, whether it will be value for money, the time it takes to decide on the brand and whether it has been wasted or not, what a

consumer's peer group will think, and whether the consumer feels 'right' with the brand in terms of matching self-image.

## > **Brand as positioning**

The bombardment of information causes consumers to put up barriers to the sheer quantity. Brand positioning should thus be based on one or two of the functional attributes but, even more importantly, positioning should be based not on what is done to the brand but what results in the customer's mind.

## > **Brand as personality**

One way to sustain a brand's uniqueness is to surround it with emotional values beyond its functional attributes. They become symbolic devices with personalities that users welcome – comparable to a celebrity. It is thus important to understand the emotional role potential customers expect of the brand in terms of the self consumers believe they are, the self they desire to be, and the self in particular situations.

## > Brand as a cluster of values

This provides the basis of making the brand different from others because it echoes the values of the target group of customers. For example, the success of First Direct bank from its early days stemmed from the fact that it matched its target consumers' values of respect, openness and getting it right first time.



Case study: First Direct

## > Brand as adding value

This has the brand offering extra benefits above and beyond the basic product/service which can be either function-based or emotion-based. It creates an identity that enables customers to make a purchase on the basis of superiority over competing brands.

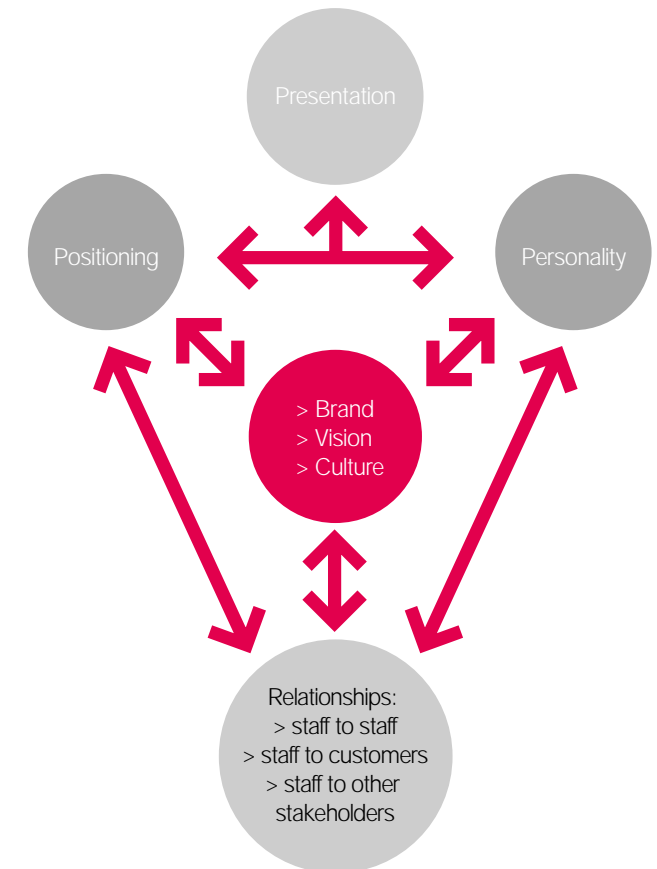
## > Brand as identity

What does the brand stand for? What are its ethos, aims and values? Central to any brand is its vision, which provides a clear sense of direction about how it is going to bring about a better future. Achieving this depends on creating a culture where there are shared values and a shared mental model about the brand and its relationships.

Central to any brand is its vision, which provides a clear sense of direction about how it is going to bring about a better future.

@ To Branding website

Figure 1.5: The components of brand identity



Source: de Chernatony, L. (2001) *From Brand Vision to Brand Evaluation*. Butterworth-Heinemann.



## Output perspective: the users' view, or brands in consumers' minds

[de Chernatony, L., 2001]

### > Brand as image

People don't react to reality but to what they perceive as reality. So the set of values people associate with any particular brand is based on both direct and indirect experience of it. This makes it unlikely that two people will have the same image of a brand, although the image may have common features.

Understanding this forces managers to analyse consumers' perceptions and take action to encourage favourable perceptions – and to do so either more or less extensively, depending on customers' levels of involvement.

**It is unlikely that two people will have the same image of a brand, although the image may have common features.**

### > Brand as relationship

If brands can be personified, then consumers can have relationships with them. Customers choose brands in part because they seek to understand themselves and to communicate aspects of themselves to others. Managers thus need to consider how the brand's values should give rise to particular types of relationships. This also places great importance on the relationships customers have with a company's employees.

The input perspective and the output perspectives have to be in balance.

*"Brands are part of our social existence. Relationships with brands are obviously not the same as relationships with people but the metaphor is useful. The brands we use reinforce our self-image and how others see us. Cars are an obvious example. What rational person would want to drive a Rolls Royce in West End traffic? Brand perceptions are moulded just as much by their users as by their marketers, perhaps more so. We are social beings and brands are part of that."*

[Tim Ambler, Senior Fellow, London Business School, Inaugural Brands Lecture, British Brand Group, December 2000]

**Figure 1.6: Unaligned micro-management:** the management of the typical organisation brand is diffused and confused

Stakeholder	Responsibility for Organisation Brand
Consumers	← Marketing Department
Distributors/Retailers	← Sales Department
Employees	← Human Resources Department
Shareholders	← Finance Department
Opinion-formers	← External Affairs Department
Suppliers	← Operations Department

Source: Davidson, H. (2002) *The Committed Enterprise*. Butterworth-Heinemann, p. 212.

**Figure 1.7: Stakeholders have an economic interest or impact on your organisation**

Economic interest and impact	> Employees	> Distributors
	> Shareholders	> Partners
	> Suppliers	> Trade unions
Economic impact	> Customers	> Legislators
	> Pressure groups	> Communities
	> Regulators	> Media

Source: Davidson, H. (2002) *The Committed Enterprise*. Butterworth-Heinemann, p. 6.

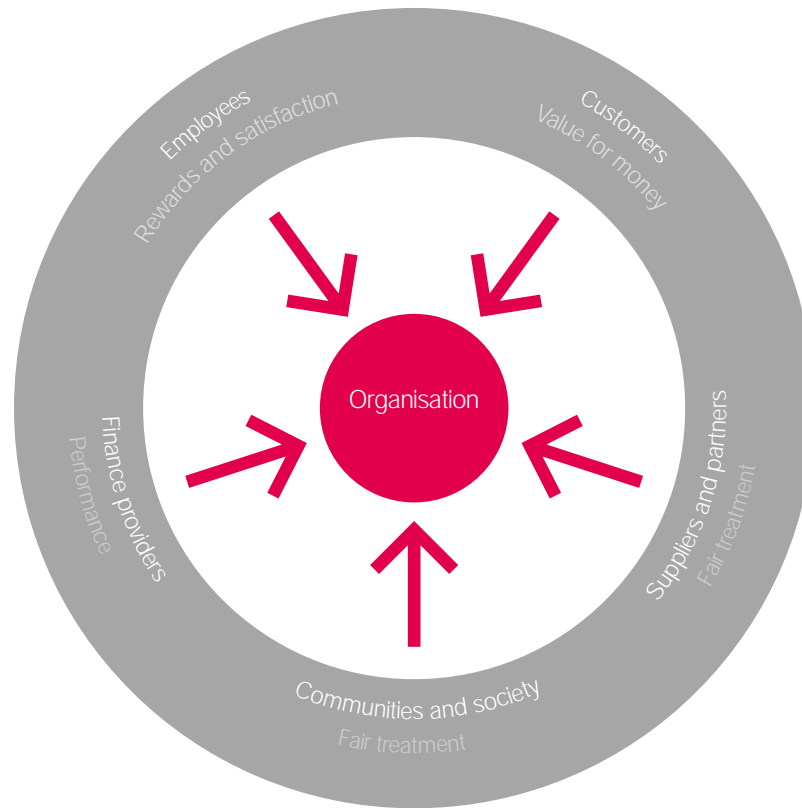
## Brands and their stakeholders

You need a 360-degree approach to building coherent brands, offering the same promise irrespective of stakeholder and contact point.

That's because all stakeholders affect a company's relationships with its customers and hence its performance. The collective support of every stakeholder group – customers, employees, partners, investors, and so on – determines profitability because their support determines revenues as well as costs. And their level of support is based on their relationship with the brand and their perceptions of it and the company.

That is why it is critical to develop and manage relationships by treating each stakeholder group as a target market with its own objectives and message strategy within the overall vision and values of the brand. The broader and deeper the support of your stakeholders, the greater your stakeholder capital and hence your brand equity.

Figure 1.8: Stakeholders have conflicting needs



Source: Davidson, H. (2002) *The Committed Enterprise*. Butterworth-Heinemann, p.6.

Brand share is the result of your brand's customer franchise. Brand equity is the result of your company's stakeholder franchise. [Duncan and Mariority, 1997]

### Related reading



*Mapping Stakeholders: In search of win-win relationships*

**There is nothing inevitable or predetermined about brand decline.**

## Brand lifecycles

### A state of inherent decline: brands need looking after

Why do so many brands decline and die? [Fitzgerald, 2001] Because companies kill them. This is rarely done deliberately or knowingly, but through negligence and neglect. There is nothing inevitable or predetermined about brand decline. There are a number of reasons why brands do decline, including:

#### > Arrogance

Companies forget the fundamental truth about brands: that they belong to consumers, not brand managers. They forget what made brands useful to consumers. And, because of that, brands start to lose their coherence, which is fatal.

#### > Greed

Taking cost out of a product formulation sounds efficient but as often as not it's the most effective way to starve a brand to death.

#### > Complacency

A company or brand builds a good reputation, sits back and rests on that reputation, and then wakes up one day to find out that faster, hungrier, more innovative competitors have passed them by.

#### > Inconsistency

Consumers increasingly expect the values of a brand to be reflected in every aspect of the business behind the brand. Brands can no longer be securely ring-fenced from their corporate owners.

#### > Myopia

The world is in a state of permanent change. Those who fail to understand the consequences of this for their brand put those brands at serious risk.

Figure 1.9: Long lived brands

Date of birth	Brand
1743	Moët & Chandon
1759	Wedgewood
1769	Gordon's Gin
1830	McVitie's
1831	Cadbury's
1850	Levi Strauss & Co
1869	Heinz
1875	Colgate
1886	Coca-Cola
1887	Johnson & Johnson

Source: BrandRight/British Brands Group (2002)

**Dotcoms mistook advertising for the much harder job of building brands that formed strong, meaningful relationships with customers.**

## The longevity of brands

Companies who die early were not brands in the first place.

- > Many brands have a heritage and exceptional longevity: Moët & Chandon was founded in 1743; Campbell's developed condensed soup in 1897; the Bass triangle was the first trademark developed in the UK in the late 1870s; Coca-Cola was developed in 1886, with its famous glass bottle appearing in 1915; Cadbury's was founded back in 1831.
- > Dotcoms spent millions of pounds on awareness advertising, with ultimately little effect, as they mistook advertising for the much harder job of building brands that formed strong, meaningful relationships with customers.

**The drive for something well-known and trusted is stronger than the drive for novelty.**

## Product lifecycle vs. brand life cycle

- > A Gillette razor is a product with a defined lifecycle. Gillette is a brand that endures through a constant focus on innovation and meeting consumer needs, wants and aspirations.
- > A brand has an existence separate from an actual product or service; it has a life of its own. The test lies in the collective opinion of the target customers and consumers. If they can perceive that a product has a unique identity that differentiates it from other similar products, and they can describe it and the unique set of benefits it offers, then it is a brand. [Randall, 1997]
- > Once a leading brand is established with a loyal customer base, it is more than likely that the position will be maintained for a long time. Brands are larger than products, large enough to be repeatedly updated and altered in almost any aspect to maintain their relevance to the market. [Arnold, 1992]

- > As long as the brand is kept up-to-date with evolving standards and values, there is no reason why it shouldn't live forever. The actual contents of a can of Coca-Cola or a pack of Ariel may change, but the brand personality, if well-managed, can remain the same. [Arnold, 1992]
- > All purchase decisions involve an element of risk, and buying behaviour shows the drive for something well-known and trusted is stronger than the drive for novelty. [Arnold, 1992]



## Checklist

- > Gauge the organisation's understanding of 'brand'.
- > What makes the organisation's brand promise distinct/differentiated? Is this meaningful to consumers?
- > Is the brand's promise being consistently delivered by all members of an organisation and its value chain partners?
- > Identify those 'brand encounters' that have impact with users. Do these add to the brand, detract from it, or have no effect?
- > Identify those people and activities that influence brand encounters. Are these being managed to clarify and strengthen the brand?
- > Assess the brand from the perspective of each stakeholder. Is it being managed positively for each stakeholder?

# CASE STUDIES

- 1. Harley Davidson: a brand with personality**
- 2. First Direct: brand or community?**
- 3. Gillette: consumer-led innovation – not an option, an imperative**
- 4. Pedigree Masterfoods: nick, nack, paddiwack, give the dog a Jumbone®**



## 1. Harley Davidson: a brand with personality

The turn of the twentieth century saw the birth of a name that developed its own cult following; Harley Davidson. It's not just a brand, it's an attitude, a lifestyle, a faction of people and a brand with a shared heritage. Harley Davidson doesn't uphold a product, but a maverick disregard for convention.

Strong brands meet emotional needs as well as physical ones. They say something about our innermost character. They invariably evoke a strong emotional response and add value to a relationship. From the earliest times people have used certain products to 'make a statement' about who they are as a person and where they are going.

In today's world, individualism wrestles with insidious conformity. Good brands provide an identity, along with a set of surrounding emotional values, which slowly infuse themselves throughout the collective unconscious.

In this way, Harley Davidson has been able to create an almost child-like attachment of reliance with their followers. Followers worship the Harley Davidson idol much as others would a celebrity, even tattooing the Harley name onto their bodies in a declaration of loyalty to the 'cause'. One might say Harley has become a 'brand' in the literal sense.

But what causes brands to become so deeply embedded in the psyche of their proponents? The answer lies in their ability to promote a lifestyle, a way of thinking, and by their capacity to satisfy such deep-seated psychological needs. A relationship with a brand can be as fulfilling as one with another person.

"It is people who call brands into existence, who form attachments, detest homogeneity, value consistency and delight in conferring personality characteristics on animals, entities and inanimate objects. People have been confidently differentiating between objects since they were first invited to make a choice between two identical arrowheads." [Niall Fitzgerald]



This need for identity and the continuing drive for novelty and uniqueness drives us to seek affiliation seemingly to affirm our acceptance.

One of the major fortes of the Harley Davidson brand is its determination to involve all its stakeholders, from customers to employees, suppliers, and the community at large. They have a shared heritage.

Harley has an almost unique affinity with its customers. Reinforcing the pride felt by riders and developing intimate relationships with them has shaped enduring customer loyalty, which others have found almost impossible to imitate.

Harley is a brand that truly has personality.

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## **First Direct: brand or community?**

First Direct is more than just a bank. A passion for new technology and a zeal for customer satisfaction set it apart from the high-street banks. What did it for First Direct? A mutual understanding with customers that banking should be easy and convenient. Simplicity itself. A black-and-white logo with black-and-white principles.

When you become part of First Direct, you vow to uphold the First Direct tradition. The First Direct brand could not have existed in its current form without a genuine contribution from all involved. It is this inclusive brand culture that has helped dispel bureaucracy and instill a sense of unity and cooperation.

The idea that utility should take precedence over town-centre façades runs deep at First Direct, and the brand relies on the motivation and verve of its staff in upholding its values.

The brand provides an assurance of quality. The service is seen as a special one for those 'in the know', those astute enough to recognize and value the benefits. A classic early-adopter base has made innovation a matter of routine at First Direct.



As a service operation, quality is measured by the nature of the interaction between customer and staff. What the customer gets out of that relationship is what creates and preserves the value of the brand.

First Direct focuses on the intangible, on creating and maintaining those important personal relationships while bringing everyone together within the caring 'pavilion' of the brand.

Making the brand work across all channels is also important to First Direct. Providing customers with choice and giving them the freedom to access their financial information in a manner convenient to them not only revolutionised the banking sector but augmented the First Direct brand.

"A brand is a complex thing. Not only is it the actual product, but it is also the unique property of a specific owner and has been developed over time so as to embrace a set of values and attributes, both tangible and intangible, which meaningfully and appropriately differentiate products which are otherwise very similar." [John Murphy, Founder of Interbrand]

But the reasons for First Direct's notoriously high satisfaction levels are multifactorial. Any good brand stems from the combination of events that shape the total customer experience. A simple-to-use, accessible website, perceptive staff, and a commitment to adding value are all contributing features. But brand unity and a culture of mutual benefit between customer, brand and staff have made First Direct a brand and a community.

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### 3. Gillette: consumer-led innovation – not an option, an imperative

[Bashaw, D. (1999) *British Brands*, Issue 10.]

Companies stay ahead of the pack and earn a return on investment in the long term through innovation. A strong belief in innovation is at the heart of Gillette's success.

Putting it bluntly, innovation is not an option, it is an imperative. It is demanded in the marketplace, and for any innovative products to be successful, they must be driven by a focus on the consumer.

Why do we need innovation? There are always sceptics. The head of Warner Brothers once questioned whether people would want talking movies. He was wrong. Dyson produced a new vacuum cleaner. Did we really need it? The fact is we need innovation because consumers want it. Consumers vote for successful innovations like the Dyson cleaner that add real benefit to their lives. And if we don't bring the benefits of new technology to market, you can bet the competition will.

But innovation is highly competitive, risky, complex, and costly. We wouldn't do it if we didn't have to.

With the change of pace going on today, innovation is critical. Look around us – mobile phones, the internet, computers, digital television. Again sceptics may question the value of all this innovation but ultimately the consumer decides. If you don't innovate in today's world you will lose ground fast.

#### The process

Gillette has a product development cycle that quantitatively and qualitatively tests products with thousands of consumers before bringing them to market. A new product launch cycle may be anything from two to ten years.

Gillette starts the product cycle by first understanding consumer needs and the opportunities to satisfy them better. Then concepts are extensively tested with consumers, asking them what they like, dislike and what they would change. Owning proprietary rights in the chosen concept is a key consideration.

Once a viable concept has been identified, additional work begins. To ensure we can make a return on investment, finance and manufacturing are involved in developing prototypes and conducting feasibility and cost



studies. Product innovations can often drive manufacturing innovations, as better and cheaper ways of producing goods are developed.

New ideas may emerge from these tests and, if so, a new project team may need to be set up. There will be more feasibility studies, further cost estimates, more financial analysis, concept refinement and packaging development. It may be necessary to go through this cycle several times as new ideas or problems emerge before we feel we have it right. Eventually we have a product that meets the consumer's needs and ours. Then we buy the equipment (based on complex capacity, design and logistical factors which have evolved in step with the product design), start production, develop and test the advertising, go to the trade, and launch the product. This is a complex process, which is time consuming and expensive.

What is critical for Gillette in the product cycle is consumer testing of all aspects of the product, including the name, the packaging and the pricing. We make a huge investment and cannot afford to get it wrong. The product has to be successful and meet consumer

needs, while also giving us a return on our investment.

## The product/consumer equation

Let me spend a minute to outline the particular equation between the Mach 3 design and consumer expectations. Whatever the FMCG category in which we operate as professional marketing and brand managers, this equation is always there and it is our duty to live and breathe it, and to get it right.

The most obvious difference in Mach 3 is that it has three blades. However it is more complicated than that. In fact the concept of three blades was not the solution, it was the challenge: how to deliver them to the consumer in a structure and design that would meet his demands and aspirations.

The floating blades needed to be set in a new geometry in order to achieve a closer shave with fewer strokes, thus avoiding irritation to the skin. Mach 3 also has a thinner blade edge that required a diamond-like carbon coating to make it stronger. A balance was achieved – although three blades may give more 'drag' than two, the sharper blades reduce the drag.



Other innovative features include the single docking point between the blade and the handle, improved manoeuvrability, and a more pleasant sensation of actually pulling on rather than pushing into the face. And the open architecture of the blade cartridge allows much easier rinsing.

So this product really delivered against what we had found consumers wanted, being preferred on 61 out of 62 attributes, a unique proprietary innovation supported by 35 patents.

In summary, it is often true that as much innovation and work go into the launch process – manufacturing, advertising, retailer presentations, etc – as into the product itself.

## **Risk**

None of this is risk free. Any innovation carries a financial risk and a risk to our image and brand. The financial risk lies in the fact that we invest in engineers, equipment, production, PR companies, printers, suppliers, TV stations. And remember, we pay these companies before the product starts to recoup any

investment. This helps the economy, but puts the financial risk firmly on the manufacturer's shoulders.

We place a high value on the name we put on the product. If we don't get the innovation right and satisfy consumers, brand loyalty can be eroded very quickly. If consumers stop trying our products, our image suffers not only with consumers but also with retailers. Retailers may seek increased margins if they begin to doubt the marketability of our future products, or may ask us to increase our media and promotional spend behind new launches. Maintaining our reputation is essential, and we are only as good as our last launch.

## **The right environment**

For our innovation to compete, we need a level playing field. We need access to distribution. We need a fair, competitive chance to get our products onto the retailer's shelf. Consumers don't come to Gillette. We want fair margins and equal access to the airwaves to communicate the benefits of our innovation. And we are in business to earn a return on our investment and risk.



In summary, innovation is an imperative for dynamic brands. There is a famous quote that you can be on the right track but if you are standing still you get run over. Well, you can be on the right track, you can have a brand, and you can have a strong reputation, but if you are standing still, you are going to get run over, especially in today's marketplace. The pace of change is enormous so it is critical to get it right with the consumer. But it is not easy, there are risks, and it takes time, money and effort.

The paradox is that innovation is a must – but that no-one can afford to innovate for innovation's sake: it has to start with the consumer. So planning Mach 3 began not in the laboratory but with the question 'what do men today want when they shave?' Four key attributes emerged from fresh research into this question – closeness, comfort, smooth feel and lack of irritation.

The next question was how well does the consumer think these needs are being satisfied by current products? Is there a gap in the market? It became clear from research that consumers' expectations had again run ahead of the products on the market. Having

established this, it was imperative for Gillette to address the gap in order to stay ahead and keep growing its business and the category.

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## 4. Pedigree Masterfoods: nick, nack, paddiwack, give the dog a Jumbone®

[Lambert, P. (2000) *British Brands*, Issue 12.]

The world of dogfood is not one that is usually associated with innovation, but in early 1998 a new product was launched which could justifiably claim that title. Its name was Pedigree® Jumbone®, and it was conceived, as are many of the best innovations, through a combination of a strong consumer insight and the creative use of technology.

### About big dogs and big bones

Back in 1996, the marketing team at Thomas' Europe decided to probe two areas of dog ownership that appeared under-developed.

The first concerned large dogs and their owners. Our calculations suggested that large dogs should (due to their high calorie requirements) consume around half of all the manufactured snacks, treats and chews sold in Europe. In reality, however, they were being fed significantly less than this. Why? Were owners of large dogs less emotionally-attached to their pets? Did the cost of feeding a large animal mean that treats were an unjustified

luxury? Or, were existing products simply not meeting the needs of large dogs and their owners?

The second area of research focused on real 'butcher's bones'. Despite their apparent inconvenience and uncleanliness, a high percentage of dog owners were still giving them to their pets on a regular basis. What was so special about a real bone? Why and when did owners feed them? Were there any negatives associated with real bones? Could we provide a better alternative?

Qualitative research with European dog owners improved our understanding of these areas, and helped us to develop some important consumer insights. We discovered that:

- > large dog owners did tend to have a strong emotional bond with their animal;
- > large dog owners also had the desire to give snacks, treats and chews;
- > however, most manufactured products were seen as insufficient for a large dog, and often, therefore, inappropriate or poor value for money.



And, in our bone research, we found that:

- > real bone users regarded a butcher's bone as the ultimate dog treat, satisfying the basic instincts of their dog;
- > however, real bones had some major drawbacks including availability, hygiene and safety (with concern over BSE).

By combining the learnings from these two pieces of market research, we developed the Jumbone® concept: a large, realistic, edible bone for dogs. All the benefits of a real bone, without the negatives. Ideal for large dogs and their owners. We then had to work out how to deliver such a unique product!

### **When is a real bone not a real bone?**

The product development brief for Jumbone® was challenging. It had to look like a real marrowbone, it had to be completely edible and clean to eat, it had to occupy a large dog for a considerable time, and it had to be highly palatable and digestible. And, of course, it had to meet cost targets to make it affordable (for the dog owner) and profitable (for Thomas').

Product development took around 12 months of continuous R&D and engineering effort, and was achieved through the innovative use of extrusion and forming technology. Throughout the development, prototype products were regularly tested with dog owners to confirm that the product was meeting the brief.

In parallel, other elements of the marketing mix were developed. The name was created, checked and trademarked. Packaging and graphic designs were developed with external design agencies. A communication strategy was agreed in conjunction with the Pedigree® advertising agency. A full pricing and profitability model was developed.

In mid-1997 quantitative market research studies were commissioned to refine the proposition. Results were outstanding, and a major capital investment was agreed for the manufacture of the product.

### **A 'tail' of successful innovation?**

Jumbone® was launched initially at Crufts in March 1998 to an outstanding response from consumers. The product has subsequently been launched into 14 European markets and has now become the second-fastest selling



product in the UK snacks, treats and chews category in value terms, ahead of many long-established products. This despite (or perhaps thanks to) the fact that the product is only suitable for large dogs. A Jumbone® has now been launched for small and medium-sized dogs.

Such success has only come as a result of significant investment of human and financial resources – over two years from conception to launch; significant commitment of marketing and R&D resources; extensive market research; major capital investment; advertising and promotional investment. A lot of hard work, a lot of belief and a lot of investment – all of which are necessary to create a successful innovation.

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