brand and branding

Tanya Sammut-Bonnici

DEFINITION

A brand can be defined as a set of tangible and intangible attributes designed to create awareness and identity, and to build the reputation of a product, service, person, place, or organization. The holistic perspective of branding as a long-term strategy includes a wide set of activities ranging from product innovation to marketing communications.

The objective of branding strategy is to create brands that are differentiated from the competition, thereby reducing the number of substitutes in the marketplace. When high brand equity is achieved through brand differentiation, the price elasticity of demand becomes low, allowing the company to increase price and improve profitability.

Branding strategies are built on the interdependent frameworks of competitive brand positioning, value chain development, and brand equity management.

Competitive brand positioning requires the identification of a distinct market space and a cognitive location as perceived by consumers. Effective brand positioning helps strategists determine what the brand stands for, its unique selling points, how it overlaps with competing brands, and the value derived from the usage of the brand. A competitive position is attained through strong brand recognition, which can be developed by differentiating product attributes such as product features, quality, selection, price, and availability. Competitive brand positioning can be developed by addressing each stage in the value chain from production to the point of sale.

Value chain development is based primarily on product innovation and market development (see Figure 1). Product innovation includes strategic initiatives on product design and the ability to introduce new product categories and line extensions. Market development revolves around pricing strategy, distribution strategy, and marketing communications. Communications are designed to create a consumer mindset where brand awareness, associations, and attitudes are formed. Brand names, logos, advertising, and product packaging constitute the visual component of market development.

Major competitors in the food manufacturing industry include Nestlé, PepsiCo, Unilever, and Kraft. The corporations strive to improve their product offering giving particular attention to the freshness of the product, health, nutrition, and cost considerations. Over and above, they have to differentiate their brands within their own categories and within the wider market space. Nestlé owns 17 brand categories, with 23 separate brands in the cereal category alone. Each brand is developed with a separate identity created through distinct product content, packaging, and product line extensions. Pricing scales add to the distinction of high value and low value brands in the same cereal category.

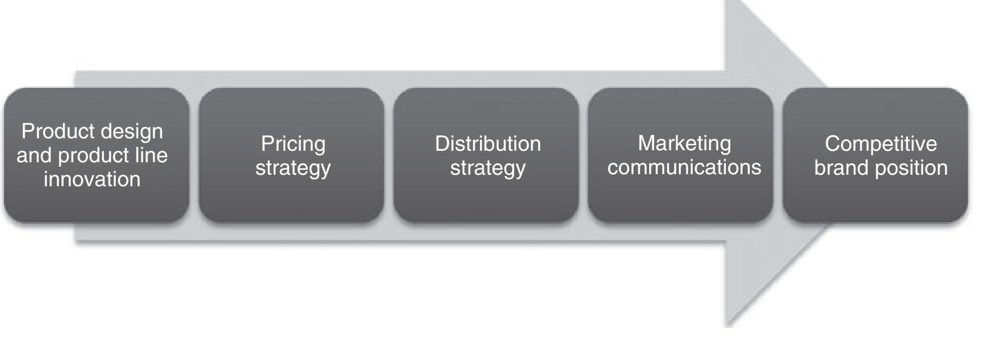

Figure 1 Strategic brand development and the value chain.

Wiley Encyclopedia of Management, edited by Professor Sir Cary L Cooper.

The concerted efforts of product development and market development secure a competitive position for the brand, resulting in higher revenues and the increase of shareholder value.

Brand equity is the set of assets and liabilities associated with a brand, such as the positive image of Coca Cola in terms of a recreational beverage, or its negative image in terms of health and the consumption of sugar. Brand equity management is becoming an important component of corporate strategy. Strategists would need to capitalize on the positive aspects of the brand and minimize liabilities through:

- *Association and differentiation*. Brand equity is built by associating the brand with other successful brands or by differentiating it sufficiently to attract new customers. Hotel chains such as Marriot, Radisson, and Westin engage in this type of strategy across their advertising, product promotions, and loyalty programs. Differentiation of the brand from competing products through visual imagery and marketing communications allows companies to position their products in a crowded market space.
- *Brand protection*. Much time and effort would be dedicated to protecting the brand through copyright and trademarks. Google alone has 293 trademarks under its corporate umbrella.

Rank	Brand	Brand value ($bil)	Consumer perception rank	Brand revenue ($bil)	Company advertizing ($mil)	Industry
1	**Apple**	87.1	11	108.2	933	Technology
2	**Microsoft**	54.7	1	73.7	1600	Technology
3	**Coca-Cola**	50.2	29	22.8	3256	Beverages
4	**IBM**	48.5	20	106.9	1373	Technology
5	**Google**	37.6	7	36.5	1544	Technology
6	**Intel**	32.3	6	54	2100	Technology
7	**McDonald's**	37.4	85	85.9	769	Restaurants
8	**General electric**	33.7	49	124.7	-	Diversified
9	**BMW**	26.3	5	73.7	-	Automative
10	**Cisco**	26.3	15	46.1	325	Technology

Figure 2 The world's most powerful brands (Badenhausen, 2012).

Ranking of Global Brands

The measurement of brand equity is a combination of financial value and positive consumer affinity. Some brands are financially valuable in terms of revenue and profitability while others resonate with consumers. The top 100 global brands rank the best at both metrics (see Figure 2).

Future Directions

Strategies for long-term brand loyalty are developed around hybrid initiatives addressing brand image and brand experience. The trend in branding strategy is to permeate brand identity through all the functions of the firm that address the customer and to expand on the brand experience. The focus of the brand experience is moving beyond the customer's perception of a brand, to the measureable metrics of customer satisfaction throughout the value chain and customer retention.

See also *GE matrix (competitive position attractiveness matrix)*; *life cycle strategy*; *portfolio management*; *segmentation*

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