

# 23 Branding

## What is a brand?

A BRAND is a name, term, sign, symbol, design or any other feature that allows consumers to identify the goods and services of a business and to differentiate them from those of competitors. So a recognised brand might be:

- the use of the 'Mc' name by McDonald's in its products such as the Egg McMuffin or Chicken McNugget;
- the Nike 'swoosh' logo;
- the three stripes design on Adidas sports products;
- the use of the colour orange in promotions by the Orange communications company or B&Q;
- the 'tune' which accompanies references to Asda supermarkets in television advertisements.

A brand might be one product, a family or range of products or the actual business itself. So, for example, a Nestlé KitKat is an individual product produced by Nestlé. KitKat Chunky and KitKat Chunky Peanut Butter are also part of the KitKat family. Nestlé is the name of the company which produces KitKats, other confectionery products such as Milky Bar and Smarties, and foods such as breakfast cereals.

Brands are important assets for businesses which have them. They will generate high revenue, promotion and repeat purchases. Sometimes they can be sold at a high price. For example, when Nestlé bought Rowntree for \$2.5 billion in 1988 it acquired a number of brands including KitKat and After Eight.

BRAND NAMES are the parts of the brand that can be spoken, such as the name of the product, e.g. Heinz Baked Beans or Barbie doll. A BRAND MARK is the design or symbol used in the brand, such as the apple used on Apple Macintosh computers. It is possible to protect the use of a TRADEMARK by copyright. A company might use its TRADE NAME as a brand, such as Virgin, Disney or Starbucks. In some cases the company name might be as well known as its products or even

more well known. The name Sony would be familiar to many people, as might its Sony Vaio range of laptop computers, but many other products in its organisation might not be so well known. Table 1 shows the most valuable UK grocery brands in 2007 and Table 2 shows the world's top ten brands.

## Developing a brand

There is a number of important features in developing and maintaining a successful brand for a business.

**Being the first or filling a gap** It is suggested that successful brands are often the first in the market. This might mean being the first products to reach target customers or to use new technology. It might also mean taking advantage of a gap in the market or new developments. Examples may include financial services sold over the Internet or organic or environmentally friendly food brands.

**Choosing the right brand name** It is important to choose an effective brand name. It should:

- be easy to pronounce and spell, especially if a company is operating in international markets, for example Lego;
- be short and to the point so it is easy to remember, for example, Nike;
- indicate something about the benefits of the product or its uses, for example Flora Pro-active;
- help the customer to identify when buying, for example Shout magazine
- be distinctive, for example Virgin;
- be different from other brand names, so that it can be registered as a trademark.

**Finding a USP** Brands which are successful have a unique selling

Table 1: The most valuable UK grocery brands in 2007

- |                       |
|-----------------------|
| 1. Coca-Cola          |
| 2. Warburtons         |
| 3. Cadbury Dairy Milk |
| 4. Lucozade           |
| 5. Hovis              |
| 6. Nescafé            |
| 7. Robinsons          |
| 8. Andrex             |
| 9. Heinz Baked Beans  |
| 10. Pepsi             |

Source: adapted from [www.intangiblebusiness.com](http://www.intangiblebusiness.com).

Table 2: The world's top ten brands.

- |                     |
|---------------------|
| 1. Google           |
| 2. General Electric |
| 3. Microsoft        |
| 4. Coca-Cola        |
| 5. China Mobile     |
| 6. Marlboro         |
| 7. Wal-Mart         |
| 8. Citi             |
| 9. IBM              |
| 10. Toyota          |

Source: adapted from [bbcnews.co.uk](http://bbcnews.co.uk) april 2008.

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point or proposition (USP). This is what makes them different from other products and what makes people want to buy them. The USP take in many forms. For example, a Volvo car might have an attribute, such as being 'safe for passengers'. The Volvo might have a benefit to the customer, such as not breaking down because it is reliable. A Cartier watch might have a value for customers, such as 'prestige'. A pair of Vans trainers might appeal to teenagers' personalities by having 'street credibility'.

**Positioning the brand** A brand must be positioned in the right place in the market for it to be successful. A business, for example, might sell a 'high quality' brand. It is more likely to be successful if the target market is people with high incomes looking for a superior product rather than those looking for a bargain. The marketing mix of the business is important to positioning the brand. So, for example, high quality jewellery is likely to be:

- a product manufactured from high quality materials and design;
- sold at a premium price;
- promoted in a way that reflects the status of the product;
- sold in places that reflect the product's features, such as high quality jewellery stores.

**Brand protection** Brands must be protected by the use of trademarks and copyright. Brands are bought because of the features that customers perceive them to have. However, if cheap, counterfeit copies flood the market, brands may lose their credibility. Also, if all businesses were able to copy the designer logo of a well known brand, then it would lose its effectiveness.

### Types of brand

Brands can come in a number of forms.

**Manufacturer brands** MANUFACTURER BRANDS are brands created by the producers of goods and services. The goods or services bear the producer's name. Examples might be Kellogg's Corn Flakes, Gillette razors or Dell computers. The manufacturers are involved in the production, distribution, promotion and pricing decisions of these products.

**Own-label brands** OWN-LABEL BRANDS (also known as DISTRIBUTOR or PRIVATE BRANDS) are products which are manufactured for wholesalers or retailers by other businesses. But the wholesalers and retailers sell the products under their own name. Examples of products containing the retailer's name

## Question 1.

Table 3: Most valuable brands

2007 Rank	2006 Rank	Brand	Country of origin	Sector	2007 Brand value (\$m)	Change in brand value
1	1	Coca-Cola	US	Beverages	65,324	-3%
2	2	Microsoft	US	Computer Software	58,709	3%
3	3	IBM	US	Computer Services	57,091	2%
4	4	GE	US	Diversified	51,569	5%
5	6	Nokia	Finland	Consumer Electronics	33,696	12%
6	7	Toyota	Japan	Automotive	32,070	15%
7	5	Intel	US	Computer Hardware	30,954	-4%
8	9	McDonald's	US	Restaurants	29,398	7%
9	8	Disney	US	Media	29,210	5%
10	10	Mercedes	Germany	Automotive	23,568	8%
11	11	Citi	US	Financial Services	23,443	9%
12	13	Hewlett-Packard	US	Computer Hardware	22,197	9%
13	15	BMW	Germany	Automotive	21,612	10%
14	12	Marlboro	US	Tobacco	21,283	0%
15	14	American Express	US	Financial Services	20,827	5%
16	16	Gillette	US	Personal Care	20,415	4%
17	17	Louis Vuitton	France	Luxury	20,321	15%
18	18	Cisco	US	Computer Services	19,099	9%
19	19	Honda	Japan	Automotive	17,998	6%
20	24	Google	US	Internet Services	17,837	44%

Source: adapted from [www.interbrand.com](http://www.interbrand.com).

(a) Describe the main changes in the most valuable brands between 2006 and 2007.

(b) Suggest reasons to account for  
 (i) companies that have changed rank;  
 (ii) companies that have not changed rank.

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include Tesco baked beans or Marks & Spencer food. Sometimes the retailer will create its own brand name, for example, Florance and Fred clothes sold at Tesco. These products allow a retailer to buy from the cheapest manufacturer, reducing its cost. It will hope to promote its own products effectively to shoppers in its outlets.

**Generic brands** Some GENERIC BRANDS are products that only contain the name of the actual product category rather than the company or product name. Examples might be aluminium foil, carrots or aspirin. These products are usually sold at lower prices than branded products. They tend to account for a small percentage of all sales.

## Branding strategies

**Individual branding** A business may attempt to brand individual products with individual brand names. An example might be the large number of washing powder brands sold by Procter & Gamble and Unilever including Daz, Bold, Tide, Dreft, Omo, Radion, Surf, Persil and Ariel. The main advantage of this is that individual brands can be developed for particular market segments. Also, failure by one brand will not have an adverse effect on another.

**Family branding** Family branding is where a business has a brand name which includes a number of different products. For example, Cadbury's has the brand name 'Crunchie' which is used on the original crunchie bar and which has also been extended to include crunchie ice cream, crunchie cheese cakes and crunchie snack size. The advantage of this branding method is that the benefits of the brand name are spread across a wider variety of products.

**Corporate branding** CORPORATE BRANDING is also known as COMPANY BRANDING. It occurs when a business' name is used as the brand name. So, for example, Heinz uses its business name to brand its products including baked beans, spaghetti and soups. The advantage of this strategy is that marketing campaigns can be spread across a range of products and a business can gain marketing economies of scale. Also, a customer might have bought one product and, as a result of confidence in the brand name, might buy other products.

**Brand extensions or stretching** BRAND EXTENSIONS are when an existing brand name is used for a new brand in a similar market. Examples of this might include Coca-Cola producing Diet Coke, Cola-Cola with lemon or 'light versions' of beers. BRAND STRETCHING is when an existing brand name is taken into unrelated markets. An example might be the Virgin brand name which has been used for a variety of businesses operations, including music shops, trains, financial services, travel and holidays. The advantage of this strategy is that new businesses may find it easier to establish new products.

## Question 2.

Liverpool nut company, Trigon, was looking to rebrand in association with the business magazine *en* and MAT:designers. Three designs were shortlisted.

- MCN Food Company Limited. Trigon food products are mainly nuts. But it was important that any brand did not restrict future development of products. So an abbreviation of the warning on some nuts products - may contain nuts - seemed perfect. This was used as a logo which gave a strong corporate identity. There was also an element of humour which could be exploited in promotion.
- Lightly Salted Food Company. To add value, the word food rather than snacks was incorporated into the name. However, it was important to include a clue to Trigon's original business. So a description of the flavour was used - 'lightly salted'. Animals eating nuts were to be used on stationery to create a sense of humour.
- Elephant - The Big Snack Company. An elephant is a large, likeable animal that is identified with nuts. It gave an abstract solution. The design and logo proposed looked as if they had been developed over the years on snack packets. This gave a sense of history to the design and to the company.

Source: adapted from *en*.

- What is meant by rebranding?
- What factors have influenced the new brand of the business?
- Which new brand do you think the business might choose? Explain your answer.

## Reasons for branding

There is a number of reasons why businesses use branding.

- To create brand loyalty. Consumers often have a high degree of loyalty to popular, well established, brands. In many markets it can be very difficult for firms to compete unless they have a strong brand identity.
- To differentiate the product. It is especially important, in markets where products are fairly similar, that a firm's own products can be clearly distinguished from others. A clear brand identity can help to achieve this.
- To gain flexibility when making pricing decisions. The greater the loyalty of consumers to a particular brand, the more room for manoeuvre a firm will have in its pricing decisions. A survey by Business Marketing Services found that consumers were reluctant to switch from well known brands in the hotel, car hire, computer and transatlantic flights markets. For example, in the car hire market pricing discounts of over 20 per cent were required to persuade consumers to switch from Hertz or Avis to one of the lesser known companies.
- To help recognition. A product with a strong brand identity is likely to be instantly recognised by most consumers. This may mean that consumers trust the product and are therefore more willing to buy it. Some

brand names are used to describe whole classes of products, such as Sellotape and Hoover.

- To develop a brand image. It is argued that customers respond to brand images with which they identify. For example, ice-cream eaters may identify to a greater or lesser extent with either the alternative image of Ben and Jerry's or the rural identity of Loseley Farm or the implied luxury of Haagen-Dazs. Some consumers respond to brands that allow them to pursue multiple goals. Range Rover, for example, stresses that its vehicles not only allow the user to escape to remote places, but also to do so in comfort. When consumers identify strongly with a brand or have a strong desire to be associated with a brand, they are often prepared to go to great lengths, including paying significant price premiums, in order to get the brand of their choice.

### Branding in a global market

Branding can be of particular importance to businesses operating in global markets for a number of reasons.

- Brands with international appeal can be marketed in a range of different countries. For example, Coca-Cola is a brand name recognized throughout the world. This enables the product to be marketed throughout the world with only limited modifications to its marketing strategy. Significant marketing based economies of scale are associated with this
- Consumers with strong brand loyalties are able to travel around the world without missing out on opportunities to consume their favourite products. An individual who likes to eat Big Macs, for example, would find very few major cities in the world where he/she was unable to consume this product. Given the frequency and distance of international travel commonly undertaken by consumers this can significantly increase sales.

### Problems with branding

Branding might not always be a successful strategy for some businesses for a number of reasons.

- As explained earlier, some products are generic. This can make it difficult to establish an effective brand.
- Not all markets are suited to brands. It has been suggested, for example, that people buy wine based on the name of the grape or the region where wine is produced rather than on the brand name.
- It can be expensive to promote and maintain a brand. Establishing a successful brand in a competitive market can be very costly. Small business may not be able to afford this.

## KEY TERMS

**Brand** – a name, term, sign, symbol, design or any other feature that allows consumers to identify a firm's goods and services and differentiate them from those of competitors.

**Brand extensions** – when the brand name is used for new products in related markets.

**Brand mark** – the design or symbol used in the brand.

**Brand name** – the part of the brand that can be spoken, such as the name of the product.

**Brand stretching** – when the brand name is used for new products in unrelated markets.

**Corporate brand or company brand** – when the name of the business is used as the brand name.

**Family branding** – where a business has a brand name which includes a number of different products

**Generic brands** – products that only contain the name of the product category rather than the company or product name.

**Manufacturer brands** – brands created by the producers of goods and services.

**Own-label or distributor or private brands** – products which are manufactured for wholesalers or retailers by other businesses.

**Trademark** – the sign, symbol or other feature of a business that can be protected by copyright.

**Trade name** – the registered name of the business, which can sometimes be used as a brand name.

## KNOWLEDGE

1. Identify five features that a brand might have.
2. Why might a brand be worth a lot to a business?
3. When might a business be able to measure the value of its brands?
4. Suggest five features of an effective brand name.
5. Why is brand protection important?
6. State three types of brand.
7. Suggest four types of brand strategy.
8. State five benefits of branding to a business.
9. State three situations where branding may not be effective.