WHARTON EXECUTIVE ESSENTIALS

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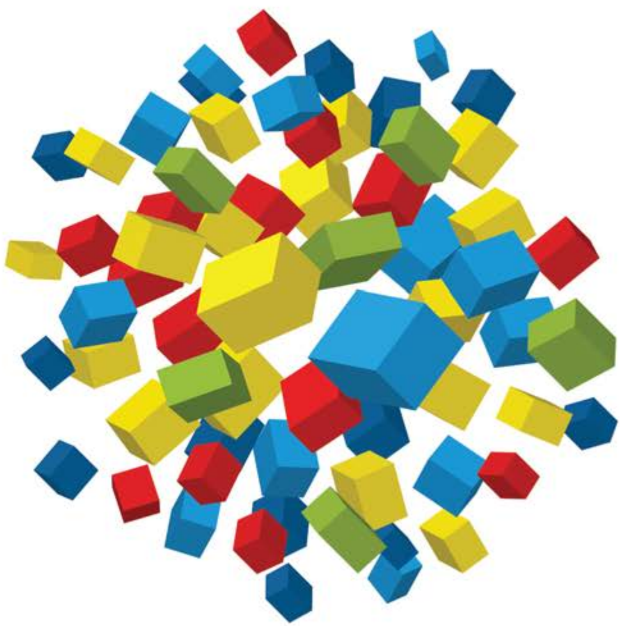
GLOBAL BRAND POWER



Leveraging Branding for Long-Term Growth

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Introduction

Brands today must be *global*. They must offer value across different countries and diverse cultures: that is, they must be porous enough to allow for reasonable brand and product-line extensions, broad enough to change with dynamic market conditions, consistent enough so that consumers who travel physically or virtually won't be confused, and precise enough to provide clear differentiation from the competition.

In this age of total transparency—one slipup can go around the world via social media instantaneously—a strong global brand must express the same core meanings regardless of the market it is in. If those core meanings are not stable across markets, the authenticity of the brand is threatened. Consumers who travel virtually or physically will be confused, and the brand will lose its power. If a brand is inconsistent in its central values, consumers will surely point out the discrepancies, and if they start doing this, the bottom line will suffer.

But brands and products are not the same thing. While brands must be global, products introduced to new markets should be implemented with a clear understanding of the local culture and conventions, and advertised, distributed, and priced with local market conditions in mind.

The distinction between brands and products became clear in 1985. Brands had existed before then, of course, but neither customers nor marketing managers genuinely understood their true power or realized that they had a life of their own independent from the products' attributes.

Almost without exception, pre-1985 brands were product focused. Think Coca-Cola, Gillette, Nabisco, Campbell, Lipton, Goodyear, and Kellogg. Each one of these was—and still is—a very, very strong brand, but each one also, at least initially, was identified with specific product attributes, which limited growth potential and global credibility. Other very strong brands that were developed before 1985, such as Oldsmobile and Kodak, became so closely associated with specific product characteristics that in spite of worldwide brand awareness, they offered little hope of future market success.

Before 1985, consumers were willing to pay a price premium for certain brands, but they rarely identified so closely with a brand that they would protest passionately if aspects of the brand marketing changed in a way they didn't like. Similarly, marketers were well aware of brands, but they didn't know how to build them, leverage them appropriately, or encourage consumers to establish relationships with them.

So what happened in 1985 to change all of this? That was the year the Coca-Cola Company introduced New Coke and removed what the company subsequently called Classic Coke from store shelves.

There were good market reasons for developing the new product. Coca-Cola was a much bigger global company than Pepsi Cola, thanks to Coke's global expansion and domination of the restaurant and vending machine markets. However, the market share of Coca-Cola was lagging in supermarkets, the only channel where consumers could choose for themselves. Pepsi Cola had launched the "Pepsi Challenge" advertising campaign, which suggested that consumers preferred the taste of Pepsi to that of Coke. In response, after significant market testing, Coca-Cola launched New Coke, which had a product taste that consumers seemed to prefer in blind taste tests.

What Coca-Cola executives did not realize at the time was that consumers were not making soft drink choices based on critical product attributes such as taste but instead were choosing products because of their loyalty to the brand. For years, the Coca-Cola brand was associated with small-town Americana. Coke was featured in Norman Rockwell ads, in World War II "Support Our Troops" campaigns, and in Christmas time celebrations. Coca-Cola traveled the world with the US Olympic team. The quintessential American TV family—Ozzie, Harriet, David, and Ricky Nelson—drank Coke. Coca-Cola was "the real thing." Coke was "it." When Coca-Cola executives removed Classic Coke from the shelves, they removed more than a product; they took away something dear to their customers' hearts. Subsequent market research revealed that consumers felt betrayed. "I couldn't be more upset if my husband cheated on me," one customer complained.

This shocking reaction proved to Coca-Cola and the world that consumers were loyal to brands in and of themselves, and not necessarily to product features. This realization radically changed the way both academics and business practitioners thought about brands. Now, more than 25 years later, we have amassed significant knowledge about how branding works. Marketing managers understand that brands are an investment; they have value in and of themselves, over and above the tangible capital invested.

With this new knowledge, managers have been able to create cohesive long-term global-brand strategies that can provide substantial growth opportunities for a firm. Strong brands have higher market share, higher prices, and higher margins. Since 1985, the growth of the top 100 brands has exceeded the growth of the advanced economy GDP by more than 35%.

Consumers have responded as well. Although there were strong brands prior to 1985, new marketing strategies of well-executed brands have created even more powerful loyalties. A new generation of consumers no longer thinks it odd to self-identify with a brand. Consumers proudly wear brand logos.

Brands are mentioned often in popular TV shows, songs, and books because they quickly establish character dimensionality. And when Steve Jobs—a consummate marketer who understood the new global love affair with brands—passed away, consumers responded by placing flowers at the appropriate altar, the Apple stores. Brands have truly become a religious experience.

This growth in the power of global brands is not by chance. We have learned how to build such brands, how to position them appropriately, how to create emotional bonds, and how to continually reposition these brands to keep pace with changing market dynamics. We have also learned how to measure these emotional and symbolic associations and account for the economic value of brands and the price premiums branded goods can enjoy. Bottom line: We now know how to leverage and manage brands to help the firm grow.

Good brands are not accidents. Their long-term value to the firm has to be developed and managed over time. The best brands form relationships with their customers. In doing so, brand meanings may also be co-created through social media communities and customer-engagement strategies. Grappling with all these issues is the challenge that every marketer faces.

Moving from Product-Focused to Customer-Focused Brands

To understand how branding strategies have changed, we need to look at the basic mechanics of a market. In the simplest terms, a market is an exchange between buyers and sellers. If you think of the extremes of the continuum, you can have a seller's market, in which the seller has all the power, or a buyer's market, where the buyer has ultimate choice and therefore the market power. Obviously, branding strategies should differ as a function of the nature of the market.

In a seller's market, if customers want your product, they come to you. In this case, it makes sense for brands to focus on product attributes. Growth strategies come from developing new products based on shared product experience or selling products that you produce to new markets. When Coca-Cola developed a new diet soft drink and branded it Diet Coke, it became an instant success because customers understood that the new product would have attributes (cola flavor) similar to those of the core product.

Most markets today, though, do not favor the seller. Because of globalization, deregulation, threats of substitutes, and increased competition, markets have become very competitive, and buyers have a great deal of choice. In this situation, persuading a buyer to purchase from you rather than from the competition means focusing on what customers want and offering something that they value.

All customers are not the same, which means trying to satisfy all customers is futile. A buyer's market necessitates segmentation strategies. Segmentation is a process by which a firm partitions the market into submarkets such that customers' responses to marketing variables within the submarkets are similar, and responses across submarkets vary greatly. In this situation, marketers pick an attractive segment to target, and brands must foster an emotional, authentic connection with the targeted customers. Brands need to engender trust and reliability while generating strong loyalty. In today's connected world, customers find out about products from not only the firms that produce them but also other customers. Thus, brands need to engender strong emotional customer-focused bonds that motivate consumers to build relationships with them and to form social communities around them. Profitability comes from premium or value-pricing strategies, long-term relationships with the customer, and cross-selling.

Customers Own the Brand

Reverence for the Apple brand proves just how deep consumer loyalty can run. Such loyalty exists beyond consumer markets. Many IT specialists are very faithful to IBM; OEMs respect Intel chips; logistics officers commit to FedEx. While customers do respond to marketing messages from a company, they also form impressions based on their own experiences. Gap learned this the hard way when it tried to introduce a new Gap logo. The logo lasted just one week before consumers revolted and forced Gap back to the original design.

When customers form a strong relationship with a brand, they can also be the best advocates for it. Many consumers self-identify as Starbucks aficionados or Dunkin' drinkers. The loyalty to one chain or another can be as strong as loyalty to a sports team. If a brand strategy really resonates with consumers, those consumers will pitch that coveted product to friends and beyond. However, consumers can also use a bad experience to punish a brand or use the brand's fame to bring attention to their own cause. For example, PETA frequently starts campaigns against well-known brands because it knows those stories are more likely to be covered by the mainstream media.

Understanding Brand Equity

All of us can identify good brands after they have succeeded. We can also identify colossal failures. But how does anyone know the difference before the marketplace reveals the answer? That is the goal of this book: to help managers build, measure, and manage strong brands.

The topics I will cover include the following:

- Since customers own the brand, it is essential to understand the underlying processes that customers use to evaluate the brands. What implications do these psychological processes have for designing brands? What is the role of social media in creating customer-centric brands?

- Strong brands are better positioned than competitive brands. What are the mechanisms that best position a brand? How is a total brand experience built, taking into account not only the cognitive associations with brands, but also the social, behavioral, emotional, and cultural associations?
- Measurement is necessary to understand what brands mean and how they can be used to add value to a firm.
  - We will discuss the most widely used qualitative brand measurement techniques: laddering, ZMET, and ethnography.
  - We will discuss the most widely used quantitative brand measurement techniques (including measuring brand awareness, brand attitudes, brand emotions, and brand relationships and satisfaction) and the two most widely used commercial global branding measurement techniques: BrandAsset Valuator and Interbrand brand value model.
- We will explore how brands can work as a system to create value. What is a house of brands versus a branded house? What role does a brand play in corporate social responsibility strategies? How are branding strategies affected by mergers and acquisitions that require the blending of brands? How can brand extensions, co-branding, and licensing help achieve growth?
- We will look at how to ensure that brands stay relevant. What are the best ways to reposition a brand once it has lost its way? How should brands respond to brand crises?

I will combine the leading-edge knowledge that has been developed by academics and strategic brand managers over the past 25 years—including most notably what brands have learned from actual marketplace experiences—to get at the core of what makes a great brand strategy. I will also show why great brands matter. Strong brands are more than easily and globally recognizable; they are also well positioned to make a sizable return on investment. Indeed, few other marketing strategies can so dependably deliver to the bottom line.

About Wharton Digital Press

Wharton Digital Press was established to inspire bold, insightful thinking within the global business community. In the tradition of The Wharton School of the University of Pennsylvania and its online business journal, *Knowledge@Wharton*, Wharton Digital Press uses innovative digital technologies to help managers meet the challenges of today and tomorrow.

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