CHAPTER 3

BRANDS, BRAND VALUES, AND BRAND IMAGE

What is a brand?

It is not an oversight that we have arrived in chapter 3 before defining a brand. The discussion has not been inhibited by the lack of a definition and some thoughts will be beginning to settle down. There will also be some questions. Is a brand just a name? Is a brand the name plus any symbolism which is associated with it? What are the links between the brand, the product and the company?

David A Aaker, in his book *Managing Brand Equity*[1] states:

"A brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. A brand thus signals to the customer the source of the product, and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical."

David Aaker does not link the brand just to a product but extends the term to cover the source of the product - that is the company itself. The definition also makes it clear that a brand is a mark, a name or symbol, which differentiates companies, one from the other. The brand aims to sear this mark of differentiation in the mind

[1] David A Aaker, *Managing Brand Equity*, The Free Press, New York, 1991

just as the original branding iron burned a mark onto the hide of cattle as indelible proof of ownership.

Whereas a product simply performs a task for the user, a brand gives a value over and beyond the product's functional purpose; in some sense it does make the product seem better. The functional benefits of an industrial brand are easy to identify. How do the products perform? What does they do to satisfy intrinsic needs? What are the non-functional benefits of the brand which are more difficult to recognise in industrial products. Loctite is bought for a functional purpose and the strong brand may give buyers confidence that it performs better than a brand which is unknown. The feeling of confidence communicated by the brand can be an important additional benefit to the buyer.

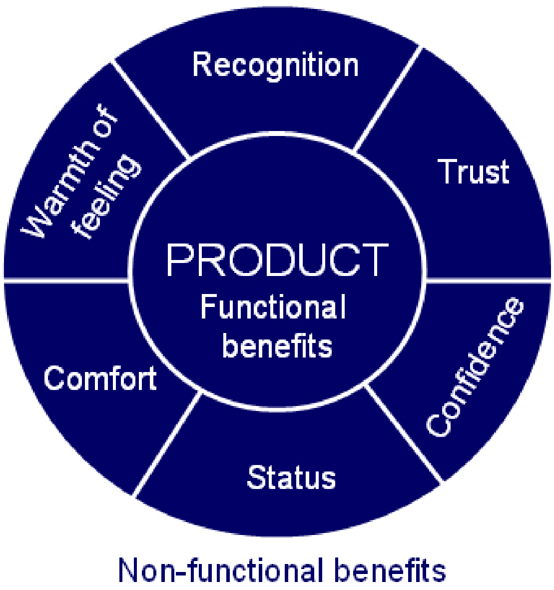

Fig 3.1 - The function of branding

This non-functional benefit of the brand is sometimes referred to as an *experiential benefit.* Such benefits include *symbolic* ones such as identification with a group or even those defining the purchaser's own sense of identity. However, it would be wrong to think of these as in some way less "real" or important than functional benefits. Symbols are major motivators and not only in the buying context; think of the power of symbols in war or even wars fought for largely symbolic reasons. Experiential and symbolic benefits of a brand can be of special relevance to suppliers of undifferentiated products. It is easy to see how these benefits accrue in consumer markets. Consumers would be hard pushed to tell the difference between one brand of mineral water and another if they tasted them in a blind test. At a functional level they are undifferentiated. However, companies marketing mineral water have persuaded us to ask for certain types by name and moreover, will have us pay more for water than an equal amount of petrol; arguably an intrinsically more valuable product which has been through a complex process and is of finite supply.

In practice there is little to choose between the formulations of all the aerosol sprays sold to start damp cars, lubricate sticking screws or oil squeaking door hinges. There are dozens of sprays on the market but WD-40 stands head and shoulders above the rest as being really different, a product people ask for by name. There are plenty of equivalent formulations and many have tried to market them in competition to WD-40, but the name of the brand and the image of its distinctive blue and yellow coloured can is so forcefully implanted in our minds, others cannot muscle in. WD-40 has achieved success with an undifferentiated product by strong branding.

Chemical companies adopt a similar tactic, frequently using brand names to help differentiate what may otherwise be seen as very similar products. The use of a brand name can provide a distinguishing feature for a product which would otherwise seem very mundane. A chemical consisting largely of paraffin is sold under the brand name *Gunk* and is marketed to garages and workshops for cleaning oil and grease from engines and floors. This straightforward cleaning agent is distinguished from base chemicals and others which purport to do the same job by its strong branding, distinctive packaging and the addition of a few extra ingredients to substantiate the claim of its superior performance.

Branding products and branding companies

In industrial markets the company name is often the primary brand. This contrasts with consumer markets where the emphasis is usually on the product or a limited group of them and it is to these individual products that brand names are attached. To the man or woman in the street, Unilever is a vague notion; a large company making soap and other consumer goods. Those who are well informed may be able to name one or two brands in the Unilever stable. Turn the questions away from the company to brands such as Persil, Omo, Stork or Lipton's tea and people will have more to say. This is the face of Unilever that matters to the consumer.

It is easy for consumer companies to brand a range of products and aim them at a special group of consumers - there are so many of them it makes it worthwhile. Consumers differ in sex, age, income, where they live, their culture, the size of their families and so on. As there are so many consumers around, their different requirements are all worth attacking, even though each segment may have slightly different needs and wants. Companies making consumer products are able to promote brands to suit the many segments of their market, perhaps introducing more than one brand to compete in the same segment in order to keep competitors at bay. In the UK, Unilever positions Persil detergent at the higher end of the market while Surf is aimed at the budget conscious.

Industrial markets are much smaller, often with a customer base measured in tens, hundreds and sometimes thousands; seldom millions. The industrial customer base can also be segmented, not this time by the age, income or sex of the buyer but by the size of the firm, the use of the product, the frequency with which it makes a purchase and perhaps its location. Just as consumer companies aim special products at the segments they recognise, so too industrial companies target different types of customers. Chemical companies use bulk tankers to supply large users and sell the same product in small packs through the wholesale network. A supplier of accounting software for car dealers sells a modified version for hotel management. The glass bottles sold to pharmaceutical companies are a little different to those sold to food and drink manufacturers. Industrial companies recognise segmentations of their customers and their different product requirements as do consumer companies but the small size of these segments means that they do not justify the promotion of different brands. For most industrial companies there is scope for only one brand and that is the company name.

Fig 3.2 – Branding strategies

Makita makes power tools for tradesmen; everything from drills to saws, hammers and screwdrivers. The tradesman orders his Makita power tool from a merchant by specifying the job that it has to do, perhaps saying that it is required to drill holes of up to 200mm. The drill is part of a range, identified by a reference number which the tradesman is sure to forget or ignore until the drill needs replacing. From here on he will refer to it as his Makita. He doesn't care that it is a DP400 or a 6304LR, to him it is a Makita.

Building a brand requires promotion of a level sufficient to create an acceptable awareness and a suitable perception within the target market. It would be impossibly expensive for industrial companies to brand every item in their wide product ranges. Far better for Makita to spend its money on building an umbrella under which all its products can sit so that they can all share the common values of the company brand.

This is not to say that brands for ranges of products are redundant in industrial markets. De Beers has an industrial diamond division which manufactures synthetic diamonds for cutting tools. Its range includes diamond blanks for cutting ferrous and non-ferrous metals as well as rock and concrete. All the products are similar in appearance and it is this very similarity which has led to a branding strategy to distinguish one from the other. The diamond blanks for cutting ferrous metals are marketed to toolmakers under the Syndite brand while De Beers' major competitor, GE, brands its equivalent product as Compax. De Beers' diamond blanks for cutting non ferrous metals are marketed under the Amborite brand while GE's is known as BZN. Within these branded groupings are a host of diamond blank sizes and shapes with product codes. However, for both De Beers and GE, the separation of the ferrous and non ferrous diamond blanks is critical not just for promoting them to the market but for making sure that the tool maker orders the right product. In this respect the brand is as much a functional separation as it is a promotional label.

Business strategy and branding

From the very start of their business, Bill Gates and Paul Allen had a vision of putting their software into every PC on every desk and on this strategy they built the Microsoft brand. Few entrepreneurs are so focused in their business thinking and only rarely do companies pursue such a clear cut strategy around which the brand can be built.

Most people who set up in business lack the clarity of foresight of Gates and Allen. For the more typical entrepreneur it is a question of finding business wherever possible. This could take a fledgling company down a number of paths, some which turn out to be strengths and become a core of the business, others which prove to be diversions and are subsequently abandoned. During this early period, both management and customers may be unclear as to what the company stands for and where it is going. The brand identity of the company will initially be vague and only emerges over time.

Branding then is linked to a wider concept; overall business strategy and only when this is defined can the brand values be developed. The link between branding and business strategy also means that brand issues may need re-thinking as the basis of the business changes. Many successful companies are following a quite different path to their original strategy.

BIS began life as a market research company, specialising in the print and paper industries, but a diversion into computing induced the company to leave market research behind and turn to software, emerging twenty years later as one of the largest suppliers of software to banks and financial institutions. BSA was originally a manufacturer of armaments and was able to use this manufacturing expertise to take it into the manufacture of bicycles. From pedal bikes it moved into motor bikes where it failed to keep up with the Japanese so that today, all that is left of the BSA manufacturing name is a plant making powder metal parts. Northern Dairies, a milk delivery company, grew into Northern Foods, one of the largest food manufacturers in the UK making cakes, curries and pizzas for supermarket chains. The original businesses of BIS, BSA and Northern Foods have changed over time and the branding has to be re-thought accordingly. Companies cannot always foresee the directions of these changes which are partially directed by luck and opportunity. Management must be constantly looking at their brand to see to what extent it remains in tune with the current customer base.

Brand values

Chapter 2 discussed the associations which people have with a brand, and in the context of this book this means the thoughts and feelings which come to mind when thinking of a company. We have just seen that branding is about distinguishing and differentiating a company (or product or service) from others. How can a company achieve this differentiation? The solution lies in focusing on the issues which determine whether a purchase is made. These are the values of the brand and it is *brand values* which are at the heart of successful branding.

In many industrial markets, companies need to have got certain things absolutely right before they are considered for purchase by a buyer. The things which have to be right we have seen are the vital issues of quality, price and delivery. They are of such momentous importance they override all other issues and they can be regarded as the first division of the factors which drive the buying decision. The rank of importance of these three factors is not always the same and indeed, they will change with time and circumstances. In a recession price rises to the fore while in boom times it is delivery that matters.

In a second division, behind quality, price and delivery, are a number of issues which can change in importance from one market to another. They include service issues such as warranty conditions, the level of technical service, the location of the company, the nature of the packaging, the after sales service etc.

The third division contains a group of other factors, often rated as relatively unimportant as influences on the buying decision. Typical of these are adverts and promotions. Buyers accept that these things influence others, but they are usually too defensive to admit that they have been susceptible to the persuasions of an ad. Indeed, they may not be able to unpick the drip, drip effect of promotions that have influenced them slowly over time and so it is not unreasonable that they are dismissive of its effect.

The separation of these many factors which influence the decision to choose one company rather than another into three divisions implies that there is a rank order of importance. And so there is. However, all the factors are important even though some may be more important than others, which means that if a company fails on any one, it has to compensate with another if it is to do business. Failure on one of the hygiene factors such as quality, delivery or price would almost certainly write a company out of a market. If the company fails in some aspects - perhaps it has a weak sounding name or a badly designed logo - it will not face immediate failure. It is because issues such as these are not *the* critical factors effecting immediate survival that they are often neglected. Yet it is attention to such small details which may make the difference between mere hanging-in or successful growth in the market.

Since all companies have to get the essential factors right to stay in business, they tend to be viewed as very similar. And it is because these critical factors are so important, and get equalised by competitive forces, that it is often the smaller things which distinguish one company from another.

A survey of business travellers sought to find out why they flew with certain airlines across the Atlantic. Not one mentioned the fact that the airline of their choice flew on the route they travelled for it was assumed that this was a given, otherwise it would not have been considered. Nor did they mention the safety record of the airlines as they were all good and, again, had things been otherwise, they would not have been in the frame. Rather they talked about the smaller issues. One had friendlier staff. One had better films than the others. One person said that they flew with an airline because it had an interval in the film during which ice cream was served - just like at the pictures. The ice cream was the small distinguishing feature which, to this traveller, symbolised the extra service he associated with the company.

Brand values in industrial marketing are, therefore, the things which cause people to buy one company's product or service rather than another. They can be big issues - the *core brand values* or they can be small issues - non-core values. Brand values can relate to the products, pricing, the delivery or other aspect of service. They can also relate to intangibles; the feel-good factors, even the smile with the service. Above all they are the things that can differentiate a company and make it seem in some way special and better than its competitors. Brand values exist in so much as they are perceived - perceived by the company but above all perceived by the marketplace. If potential customers do not experience the values in some sense, they do not exist.

Brands and image

The values which make up a brand exist because they are perceived. They are also evaluated positively or negatively by customers and potential customers. These evaluations come together to form the brand's image.

The first thing to accept about image is that it is a perception and need not necessarily be fact. Buyers cannot know in a factual sense all there is to know about a company. What they do not know they may assume or expect without any objective evidence; in simple terms they will hold an opinion. But these perceptions are to the buyer, just as real as those based on harder evidence and almost certainly will influence the purchasing decision.

Companies have touch points with their market which create these perceptions. For example there is the company representative. Let’s assume that he or she is smart and drives a new car and always makes a good impression. He calls on companies who, without any further knowledge, think well of the supplier *because he projects a positive image* and this is extended to his company. The company benefits from the `halo' of the representative. All other points of contact with the customer will produce a reaction of some sort or another in the buyer. Some of the other touch points will also influence the relationship. The speed, courtesy and friendliness of the switchboard will have an impact. The appearance of the e-mails or the letterhead, literature and promotions will influence the image. Once the relationship between a supplier and customer gets deeper, then many other opportunities will arise in which the image can be affected, including the chance to demonstrate the company's performance on substantial issues such as the product quality, reliability of deliveries, after sales service and so on.

A positive image is one which will continue to work for a company, even when things start to go wrong. A company with an excellent reputation can suffer an occasional slippage in one area or another and the customer will be forgiving. In contrast, a company with a poor image will be castigated for any default and there will be no exoneration. The strength of the Perrier brand pulled it through after a disastrous contamination of the product by benzene required the complete recall of all its stock of bottles in warehouses, shops and homes. Mercedes were more defensive when its new A class failed the “moose test”, blaming the driving skills of the Swedish journalists rather than the design of the car’s suspension. Cadbury were slow to admit to and recall products that were infected with salmonella and this undoubtedly cost them heavily in lost sales.

Image is something which can be taken in the round. This overall image is the pooling of the all the perceptions and feelings which people hold on a company. When we enter the ballot box to place our cross against a politician, it is the overall package we vote for. There will be some things about the politician we dislike but these seem to be outweighed by the virtues. The juggling of the pros and cons are distilled into just one decision - one box, one cross.

So it is with brands; perceptions - image - are translated into a purchase decision. A company will be chosen as a supplier if it is at least acceptable on all the essentials (price, delivery, quality) and seen positively for most of the `nice to haves' (innovative, good warranty, easy to do business with). It can even have a negative image in some areas as long as they are not ones critical to the decision. Companies with excellent products which are reasonably priced may get away with long delivery dates. They may even make a feature of their waiting lists by suggesting that they are an indicator of their popularity.

Buyers act on perceptions as if they were facts. What else have they got to go on? They cannot be all knowledgeable. They cannot know every nook and cranny of the products they are buying. They cannot be qualified, nor expected to know all about the guts of a machine they are considering buying. The guts of a machine may make it reliable but it is the appearance of the outer casing, the ergonomics of the design and the favourable (or otherwise) comments from service engineers which guide buying judgements. The composition of a cleaning fluid may be a mystery to a buyer but it is bought because it *smells* powerful, it *looks* thick and powerful, and on the pack it says that it is used for cleaning components in the aerospace industry where specifications are known to be amongst the highest.

Images are therefore based on less than complete knowledge but still shape action in relation to a supplier even if in only a negative way. A company may not be used as a supplier because of a negative (and in an objective sense, erroneous) image. It is often not understood that potential customers who have never had any dealings with a supplier may hold a strong image of that company. Far from being determined by purchasing experience, image may decide whether a supplier is used at all.

The achievement of a positive image, on core values - the really important issues - and any other values which differentiate it should be of the highest priority to any company. However, a very dangerous ploy is to try to alter a company's image without materially improving the underlying defects. In the 70s and 80s Alfa Romeo cars offered heart throbbing design and sparkling performance tinged with a variable reputation for reliability. Twenty years later, when the problems have long been solved, many motorists consider reliability to be a weakness of Alfa cars.

The benefits of a strong brand image

High levels of brand awareness and a positive image increase the probability of a product being chosen and decrease the vulnerability to competitive forces. Here are nine specific benefits which a company will obtain from a strong brand image.

1 Premium prices can be obtained. A brand with a positive image will command larger margins and be less susceptible to competitive forces. There will be less pressure to sell at low prices or offer discounts.

2 The product will be demanded. A brand which people think is a good will be asked for specifically. People will search out a brand they really want.

3 Competitive brands will be rejected. A strong brand will act as a barrier to people switching to competitors products. A brand is a defence which is permanently erected.

4 Communications will be more readily accepted. Positive feelings about a product will result in people being able to accept new claims on its performance and they will warm them up so that they can be more easily persuaded to buy more.

5 The brand can be built on. A brand which is well known and well regarded becomes a platform for adding new products as some aspects of the positive imagery will cross over and help in the launch of new products.

6 Customer satisfaction will be improved. A positive image will give customers enhanced satisfaction when they use the product. They will feel more confident about buying it.

7 The product will be pulled through the distribution network. A brand which people ask for can more easily be sold into wholesalers and distributors who are extremely responsive to what their customers want.

8 Licensing opportunities can be opened up. A strong brand may support joint venture deals or allow the brand to be licensed for use in new applications or in other countries.

9 The company will be worth more when it is sold. A company with a good brand name will obtain a higher premium for the goodwill, if and when it is sold.

Not only are there considerable benefits for industrial companies in building strong brands, there are serious penalties for those who do not. The alternative is to rely on price cutting, discounts and cost-reduction programmes. Customers will find no reason to buy other than on strongly functional factors which, no doubt, they can find to profusion in any number of suppliers.

The benefits to the customer of branding

We should not close this chapter with the impression that the gains from strong branding are all on the part of the supplier and at the expense of the customer. The customer too obtains benefits. There are three important reasons why customers benefit from products and services with strong brands:

1 A strong brand is a summary of all the values associated with it. Making industrial buying decisions is complicated by the need to weigh up all the details of a product's performance, its price, the delivery, the guarantee etc. A brand with a strong image is a synthesis to the buyer of everything that a supplier stands for and offers.

2 A strong brand makes customers feel confident in their choice. People shop at Marks & Spencer often without comparing products from elsewhere because they trust the brand. Strong industrial branding gives customers the same comforts.

3 A strong brand makes customers feel more satisfied with their purchase. The quality perceptions translate to a `feel good factor' which makes customers happier than if the product had come from an unknown supplier. In the end successful marketing is about convincing customers that they will sleep easier and worry less by using a strongly branded product.

Summary of chapter 3

The core of branding is differentiation. Products are seen to be different because of their brand name. The successful communication of non-functional benefits (eg confidence in the products) is an important means of achieving differentiation.

In consumer markets, brands often cover only a narrow range of products and a company will own and market a number of distinct brands - the company name may be unknown to customers. In industrial markets it is more common for the brand and company name to be one and the same. Smaller markets and other factors are reasons for this difference.

Brands must be linked to a wider business strategy and their identity may change as the business focus of a company shifts.

Brand values reflect the issues which the market considers to be important influencers in the choice of its suppliers. Core brand values reflect major issues but other values may be the factors which enable a brand to be effectively differentiated.

The perception of brands in a market is brand image made up of the many attributes which surround a brand. Perceptions, the image of brands, shape purchase decisions whether of not they are objectively real. Attention to a brand's image is very important for long term success.

Branding offers real benefits to companies and directly or indirectly these will be reflected in enhanced profits and the worth of the company. Brands also offer benefits to customers by making it easy to choose products and feel good about that choice.