The Power Of Industrial Brands

By Paul Hague
THE POWER OF INDUSTRIAL BRANDS

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CONTENTS

Preface

SECTION ONE: INDUSTRIAL BUYING BEHAVIOUR
1 How do people buy industrial products?

SECTION TWO: BRANDS AND INDUSTRIAL MARKETS
2 The awareness and associations of industrial brands
3 Brands, brand values and brand image
4 Sub brands and brand extensions
5 The role of brands in industrial marketing

SECTION THREE: ANALYSING BRANDS
6 Stripping back to the core values
7 Measuring brands

SECTION FOUR: BUILDING INDUSTRIAL BRANDS
8 Creating and changing brands
9 The marketing mix and building a brand
10 Using service to build brands

SECTION FIVE: BRAND MANAGEMENT
11 Caring for brands
12 Revitalising flagging brands
13 Valuing brands
PREFACE

There have been millions of words written on the subject of branding, but they nearly all relate to consumer products and markets. This is hardly surprising in the light of the megabucks spent on brands by firms like Coca-Cola, Intel, McDonald's and Levi's. However, for most managers of businesses, the strategies of the branding gurus are as remote as the sums of money which the big brands spend on advertising. A manufacturer of printing presses in Manchester, a foundry in Birmingham or an office equipment supplier in London will find little relevance in the branding theories because they are not written with them in mind.

This book is written for managers whose customers are other businesses. Their products (or services) are not consumed in the High Street but are bought by other companies to help in their own output. This is the field of industrial and business-to-business marketing.

Companies start small and grow big. They are created because someone had a good idea for a service or a product. Companies are built up by people who know how to make good products or services but who may not give much thought to the longer term implications of their branding. The term branding and its links with consumer marketing may be thought by some industrial managers to be a frivolous subject concerned with creating the illusion that a product is better than it really is. There is some truth in this - branding can make customers think better of a good product or service but it does not compensate for deficiencies in quality or design.

This book has been written to show that branding is as appropriate for a company pressing metal pieces as it is for Pepsi Cola. It will work for a manufacturer of industrial hose just as it does for Honda. In fact, branding is working already for industrial companies but not with the efficiency it could. Many industrial companies have customers they have supplied for years. These loyal customers buy more than products; they buy trust, friendship, reliability and any number of other intangibles which have a value. Few buyers would change their supplier just because someone knocks on their door offering the same goods for 10 per cent less. The premium which a product enjoys over and above its commodity price, is directly attributable to the benefits the customer believes they obtain as a result of buying from that company. That difference lies in branding.

Where industrial companies are already benefiting from branding, it is often by accident rather than design. However, with a little extra effort and cost, the effect could be much improved. With better branding will come increased business, improved loyalty and greater profitability.

I have no intention of over-claiming. Branding is certainly not everything which underpins a successful business. Branding is not the whole of marketing - in fact branding is just one aspect of marketing, but if a company gets its branding right, the likelihood is that all the other parts of the marketing mix will fall into place. Branding is the thread which runs through the book and marketing is the subject which surrounds it. Also many other
business functions determine success; efficient production, innovation, training, financial control and other aspects of good management are all vital. But above all, there is a need for a commitment to quality; both product and service quality. Everyone engaged in a business must have this commitment but for the marketing director or manager it needs to be a passion. Some believe that quality issues ought to account for a third of a marketer’s time. Branding may increase the success of a product but without continual maintenance of quality standards and a continuous search for improvement, the foundations rest in sand and long term failure is assured.

I have come to this subject as a practitioner in marketing, a market researcher to be precise, where I have worked on industrial subjects for over 30 years. I am not an academic. The theory of marketing has to work in practice and so it is without shame that I have written this book from my experiences. I will have done my job properly if, from time to time, the reader nods and says, "yes, this is only commonsense".

The book is in five parts. I begin by examining the way in which people buy industrial products; this is the starting point for any consideration of branding. Section two then moves on to discuss what branding is and the role it has to play in industrial marketing. In the third part of the book I focus on understanding brands and see how to take them apart and measure what is happening. With this background, in Section four I talk about how brands can be built in industrial markets. The book concludes with three chapters in section five about brand management including how to place a monetary value on them.

Finally, I would like to acknowledge the people who have made this book possible. The first book I wrote on this subject was with my long time colleague, Peter Jackson. Much of the contribution from Peter is retained in this edition because what he said is insightful and as true today as when he first put pen to paper nearly 20 years ago. I would also like to thank Matt Powell, a colleague who works with me today, for enlivening the text with appropriate graphics and diagrams. Finally, I would like to acknowledge the many managers in industry I have worked with over the years who really do try to market their companies and build sustainable brands. If through their inspiration others begin to apply branding in their own companies, the result will be an increased competitiveness and a more cheerful face to industry.
INDUSTRIAL BUYING BEHAVIOUR
CHAPTER 1

HOW DO PEOPLE BUY INDUSTRIAL PRODUCTS?

Characteristics of industrial markets

We begin this book with a discussion on how people in businesses buy products and services. This understanding of the buying process is crucial to the main theme of the book which is the role played by branding in the purchasing decision. As we shall see, the purchasing of industrial products is considerably more complicated than that of consumer products and for this reason, a strong brand can simplify the process. Let’s face it; if I trust a company either because of its reputation or I have tried it before, it makes the buying decision easier. Industrial products are not sold on the shelves of supermarkets so I have to spend time and effort working out which companies I want to do business with. Branding is going to help me do this, even though I may loathe admitting it.

The starting point for this journey into industrial branding is to understand the wide variety of products that we are talking about. Every time a householder buys a loaf of bread, a bottle of perfume, a new coat or a car, their action sends waves back down the chain creating a demand for flour and grain, chemicals, textiles, steel and a host of other products and services which are used in their manufacture. This chain, with one product deriving its demand from that for another, is responsible for every business being dependent for its livelihood on some other business. It is called the chain of derived demand.

As with all chains, acceleration or deceleration at the end can become magnified as the reaction moves backwards down the line. Consumers can adjust their buying patterns more rapidly than the industrial firms in the chain. Businesses require lengthy lead times to commission new plant in response to an increase in demand and equally they cannot readily shed labour to react to a temporary fall in sales. Similarly, a rise or fall in consumer sales triggers off a chain reaction of stocking or destocking out of all proportion to final demand.
Chapter 1 – How do people buy industrial products?

At the end of the chain, consumers buy finished products in the High Street. These products are given memorable brand names, packaged brightly and advertising and promotions build the demand. Back down the chain, the consumer is ignorant of the materials and processes which have gone into the products they have bought. Except for rare examples, consumers leave the selection of the suppliers of the materials to the companies which make the products they buy. There is no insistence from you or me the final consumer that the car we buy should have steel from a certain manufacturer, seats from another, a starter motor from another. Whatever Ford, BMW or SAAB think is what we accept. But if the totality of the car is not to our liking, we will buy somebody else's thank you. Consumers indirectly affect the choice of materials which go into final products through voting with their wallets, not by specifying the materials from which they should be made.

**Industrial markets and the wide variety of products**

Consider for a moment the products which people buy for themselves and their households. Foodstuffs, leisure products, home and garden, the car and travel, finance. Within each of these areas there are many sub-sets of products and services. In food alone we have a variety of products including confectionary, fresh vegetables, canned foods, drinks and so on. Within canned foods there are vegetables, soups, fish, puddings etc. Companies making consumer products tend to specialise in one of these areas. For example, Campbell's is a food company specialising in tinned foods. Levi is a clothing company specialising in leisure wear. Honda is a vehicle manufacturer specialising in cars and motor bikes. There are a wide variety of consumer products and thousands of manufacturers, but they are nothing compared with their industrial counterparts (see fig. 1.1).

<table>
<thead>
<tr>
<th>FACTORS CHARACTERIZING A MARKET</th>
<th>Consumers</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average spend</td>
<td>Pence to thousands of pounds</td>
<td>Pence to millions of pounds</td>
</tr>
<tr>
<td>Decision making unit</td>
<td>One or two people</td>
<td>One to numerous people</td>
</tr>
<tr>
<td>Range of products purchased</td>
<td>Hundreds</td>
<td>Thousands</td>
</tr>
<tr>
<td>Types of products purchased</td>
<td>Processed/finished goods</td>
<td>Raw materials/components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finished goods and services</td>
</tr>
<tr>
<td>Number of final customers</td>
<td>Thousands to millions</td>
<td>Tens to hundreds</td>
</tr>
</tbody>
</table>

*Fig1.1 – Characteristics of industrial and consumer markets*
Whereas the householder usually buys a finished product, the industrial buyer often buys a component. The power station is made up of hundreds of thousands of purchasing decisions before it is completed, some by the manufacturers of the gas plant, the manufacturers of the motors, through to the manufacturers of the screws which hold things together. How different these products are. Commodities such as fuel, metals, chemicals, timber, sugar, cement. Components range from bricks and tiles to plastic parts, cable, steel pressings, filters and sub-assemblies such as motors, switch-gear, and pumps. Capital goods including office machinery, earth moving equipment, trucks, cranes and process plant. Industrial services include plumbing, legal, financial, transport and distribution.

Pick up a directory of industrial products and you will find thousands and thousands of different types of products listed. The Government classifies industrial products and services in a special listing known as the Standard Industrial Classification (SIC). This has headings for engineering, packaging, construction, transport, business and financial services and so on. Every type of product and business is included with detailed subdivisions within each heading. Mechanical engineering, for example, is broken down into industrial plant and steelwork, tools, engines, compressors, heating and ventilating, pumps and valves etc.

It is this large range of products and services that give industrial markets their complexity so that the marketing approach for a steel works is likely to be different to that of an office equipment supplier selling copiers, faxes and computers. Their approach will certainly be different to a company marketing goods and services to high street consumers.

The complexity of the industrial buying decision

There is another dimension which distinguishes industrial and consumer markets. Most grocery purchases are made by one person and two may get involved when there are major items of expenditure on furniture, cars and houses. In industrial markets the buying decision is much more complicated. An engineer may specify a certain component required for a process, a production manager may have to ratify the decision and a buyer may have the authority to choose an appropriate supplier. Other people could have some sway including the finance director who controls the budget and the person on the shop floor who has to use the product. The interaction of the different personalities in the buying team will mean that the buying decisions vary considerably from company to company. In the smallest of firms run by the proprietor, all these decisions are
Chapter 1 – How do people buy industrial products?

rolled into one person while in large companies there could be numerous layers in the buying process.

The rational industrial buyer

There have been several studies which have shown that consumers in the High Street choose a brand not only for its functional benefits but also to reflect their own self-image. As an extreme example, consumers use brands as symbolic devices which in part express their personality. Gucci handbags and Rolex watches are easily understood examples of this phenomenon. The functional qualities of the Gucci handbag or the Rolex are almost certainly relatively low although the consumer may not admit to this. The customers of each of these products already have other handbags and watches but this does not stop them making another expensive purchase. These products are bought by people so that they can benefit from the statements they believe they will confer upon them. Functionality is second place.

Tipp-Ex correcting fluid on the other hand is a strongly branded industrial product and yet it would only be bought by someone who required it for its functional use. Tipp-Ex would not bestow any secondary benefits on the purchaser such as making a statement about their personality (it might suggest they are a poor typist) though they may feel comfortable in the knowledge that it has been made by a reputable company. In industrial markets products are purchased because people need them and not because they want them. This leads people to assume that industrial buyers would buy any product as long as it is functional. It also implies that whatever is purchased is likely to be based on more objectivity than consumer purchases which are full of emotive appeal. Intuitively it seems to make sense that the business to business buyer is more rational than the consumer counterpart. As we shall see this is true but only up to a point.

Business to business buyers do have a greater propensity to rationalise their purchasing decisions and this is to be expected as they are employed to obtain the best deals for their companies. It would be an admission of failure, incompetence and sheer idleness to say that they are less than perfectly informed about all the sources available to them.

To be fair, buyers are likely to know a lot about their main supplier. They may know a good deal about their secondary and tertiary suppliers, but they cannot be assumed to know anywhere near as much about the huge array of other companies that could supply their products. And, if they don't know everything about all the suppliers, it cannot be a perfect market and it cannot be assumed that the choice of suppliers is the best.

Nor should we forget that emotional influences play a part in industrial buying decisions just as they do in purchases for the home. People do not become automats as soon as they come to work; they are still influenced by non-rational considerations. Buyers are courted by suppliers. They are made to feel important. The sales teams are always talking to them and visiting them and a relationship is built up. Small gifts are handed out. Jackets are given way with the supplier's logo discreetly printed on the pocket. At Christmas there is a special
lunch or dinner to celebrate the successful partnership. Visits take place to the supplier's works to see the product being made, perhaps with an overnight stay so that the deal can be informally discussed over dinner. It is inevitable that this wooing has an influence and that it colours the objectivity of any decision. Also, whatever buyers may say they are influenced by how a supplier is presented through advertising, sales brochures and in personal contact.

**Multiple sourcing in industrial markets**

Buyers of industrial products usually buy from more suppliers than is necessary. Two suppliers may be justified on the grounds that each will keep the other on its toes, but sometimes there are four, five or more used for the same goods. This proliferation in number of suppliers happens over time. There is always someone new tempting the buyer and, in a moment of weakness or as a genuine attempt to buy more efficiently, a new supplier is added.

The opposite of this has occurred in the automotive industry where suppliers are regarded as partners, delivering components of a high quality to a tight timetable. Working with a small number of suppliers has resulted in improved quality control and a reduction in prices as the volumes given to the successful companies allow them to achieve better economies of scale.

This process of vendor rationalisation and 'just-in-time' deliveries, is widely adopted in mass manufacturing businesses where there are massive savings to be made in costs and improvements in quality. It is clear that for some businesses, multiple sourcing is not the answer.

And yet, smaller companies use a profusion of suppliers. Electrical contractors continue to buy from half a dozen wholesalers; printers use four or five paper suppliers. Sometimes this taps into the specialisation of the different electrical wholesalers or paper companies but more often it is a legacy which has never been addressed and it reflects inefficiencies in buying.

**Three factors which influence most industrial buying decisions**

Three factors crop up time and again as critical influences on the industrial buying decision - quality, price, and delivery. Inevitably, this is a gross oversimplification as each of these terms could be unravelled in some detail. Embedded in the term quality are a number of elements. Depending on the industrial sector and the products in question these include reliability, durability, strength, longevity, power, finish, and engineering integrity. Also, the term quality in industrial markets is often used in the sense of fit for purpose. Some products can fail because they are more than fit for purpose; they are over-engineered.
Chapter 1 – How do people buy industrial products?

The machine tools produced in the UK have a reputation for longevity. They can easily last 25 years or more. However, rapid changes in technology may mean that companies buying machine tools don’t want them to last more than 10 years because in that time they will be obsolete. There may be no value in paying for something which will never be used in over engineering products. A Taiwanese machine tool could offer perfectly acceptable quality for the period that it will be used at a more attractive price.

Ask a buyer in the automotive industry what they look for from their suppliers and, inevitably, keen prices will be mentioned. Automotive buyers are masters at shaving fractions of a Euro off the many thousands of components they buy in their efforts to get prices as low as possible. Superficially it appears that the key requirement is price, but this misrepresents the true picture. A buyer at Ford will not buy a component at any price. The supplier has to prove that it has installed rigorous quality control procedures and that his products comply with Ford's exacting quality requirements. Unless the supplier passes the quality screen, and demonstrates that it can meet the just-in-time conditions of delivery, it will not be able to begin discussing price.

A road haulier may weigh the lower price of an Iveco truck against its faster depreciation and a life-time cost which exceeds that of a Volvo or a Scania truck. A company that insists on being paid in 28 days could prove to be more expensive than one that will allow two months credit when everything is balanced out.

The term delivery is also made up of a number of aspects. Delivery to some means off-the-shelf availability and to others it is the speed with which the product or service can be brought to the door. What matters to most buyers is the knowledge that a product will be delivered at the time promised. It does not necessarily mean the ability to deliver at a moments' notice.

It is the understanding of the subtleties that is all important in successful marketing. What exactly is required in terms of quality, price and delivery? Which is most important and which is least important? How do buyers trade these different factors off one against the other when they are selecting a supplier?

There are many other factors, of course. Service is increasingly important in distinguishing companies and it has been estimated by the consultancy firm, McKinsey, that it accounts for between 10% and 20% of all manufactured products. This could be so when you consider that the purchase of a product includes service prior to delivery, technical service and setting up at the time of delivery and after sales service and guarantees.
This leads us to the all important question, where does branding come into the buying decision? If this book is an advocate of branding, how come branding isn't the pivotal factor in the decision? The problem is that buyers of industrial products seldom admit to branding influencing more than 5% of their decision. In one respect a brand is just a name to signify who made the product. In another respect the brand or name of the manufacturer summarises all the values which are on offer - quality, price, delivery - the lot.

### Inertia and trust and their role in the buying decision

Quality, price and service are vital but in practice there is one over-riding issue which is seldom mentioned as a reason for choosing a company - that is "because we have always bought from that company". Just consider the number of years people in industry have used the same companies as their main suppliers. It is not unusual for a supplier to have been used for five, ten or even twenty years.

The buying inertia in industrial markets is still further evidence of the lack of rationality in the buying decision. In pressing home this point we are in danger of making buyers seem unprofessional, failing in their duty to constantly check prices, delivery and quality differences between alternative suppliers. In fact, buyers are only doing what any sane and sensible person does, and that is hanging on to a good thing once they have found it. They have got to know a supplier and all their requirements are being met, so why change? Again this brings us back to branding because it is not just any supplier that is being used again and again, it is that special one - the tried and trusted brand.
Chapter 1 – How do people buy industrial products?

All deals are struck at some stage for the first time. On that occasion, negotiations take place on price, delivery and payment terms, all those aspects which buyers tell us are important. And from time to time prices and terms will be renegotiated as the buyer works to ensure that the deal is acceptable and perhaps also to reassure everyone, including himself, that he is doing his job correctly. But for a company that is happy with a supplier which has been used for many years, these issues which are renegotiated are relatively small because in the larger scheme of things, changing an established supplier for a new one carries a real risk.

The formulators of paints for cars mix a variety of standard chemicals which can be purchased from a number of large chemical companies. The chemical components are relatively inexpensive and, in a recessionary environment, their prices are driven ever downwards. However, to change the supplier of a hydroxyl acrylic monomer, a standard component in the formulation, for a saving of just a few per cent off the price, is not worth it. The new product would have to be tested to ensure that performs as well as the previous monomer, and in any case, the buyer knows that all suppliers have to keep within a sensible pricing band for otherwise they will certainly get left behind.

Buyers in industry learn from experience which products work. They learn to trust certain products and their suppliers. Such is the trust that they fear the consequences of dropping one supplier and using another. The other supplier may promise better performance, offer a better financial deal, and say that they can deliver quicker. But they would say that wouldn't they? Will the prices be raised in a few months? What will happen if the quality does not live up to its claimed performance? It is easy to promise delivery dates, even to keep the first few, but can they keep it up? Sceptical that everyone is likely to make such claims just to get their foot in the door, buyers often reject the daily door knockers out of hand.

Consideration sets

A buyer of heavy trucks in the UK can choose from a list of 12 different marques. These include trucks made in Sweden, Germany, France, Italy and Holland. He needn't stop with the list of 12. If he really wanted he could seek out Japanese, American or Spanish trucks which are all available to a limited extent in the British market. In practice the buyer of trucks draws up a short list which may comprise just two or three trucks, the ones which he trusts, the ones which he thinks fit his purchasing criteria. This is his consideration set - the
products he is prepared to consider. Trucks within the consideration set have to compete strongly to win the sale while those outside are not in the running.

Getting into the consideration set is the first part of the marketing task for industrial companies. The first requirement is to be known to the buyer. A company which is unknown has no position in the buyer's mind and, since most buyers have plenty of products available to them with which they are very familiar, there is no incentive to learn more about a new one.

A company wanting to buy a plant to make industrial gases would have a limited choice of suppliers. In Europe there are three major players – the British-German combination of BOC and Linde, Air Products (a British operation with an American parent), and Air Liquide (French). A German company wanting to buy a gas production plant would almost certainly place Linde in the consideration set and would probably enter the final negotiations with one other party, as much as anything to ensure that Linde offered the best deal. Japanese gas separation plant suppliers would not enter the frame and almost certainly, a German buyer would not even know their names. A Russian plant manufacturer may be known by name but a lack of knowledge about their reliability and service support could stop it getting into the consideration set. The predilection for supporting a domestic supplier exists throughout the world in many industrial markets because there is an emotional predisposition favouring the indigenous company.

![Fig 1.3 – The Close Positioning Of Products In Consideration Of Sets](image-url)
Commodities and differentiated products

In simplifying our understanding of the conglomeration of industrial markets and buying situations, it can be helpful to classify companies into those which sell relatively simple products, made to a standard, from those which sell complex products, each one of which is clearly different.

The products made to a standard are akin to commodities. The product characteristics are always the same within a similar class and it would not matter which company supplied it as the features and performance are similar. In these circumstances, quality is a 'given' and the spotlight is thrown onto other variables, the two most important of which are price and delivery. If one such product goes into short supply, so the price will rise and conversely, gluts force prices down. In true commodity exchanges where wheat, iron ore and cocoa are bought and sold, prices dip and rise with changes in supply and demand. A few notches up from these simple raw materials are processed goods such as chemicals, cable, steel and cement. In each case there are standards governing the quality of their manufacture and the chances are that each supplier is able to offer approximately the same delivery. In these circumstances, so very common in industrial markets, the onus falls on price.

At the other end of the spectrum are products which are quite different one from the other. The quality standards and the features which are designed into these differentiated products are determined by the manufacturers and each one targets his offering against certain groups of buyers. The service which supports such products before and after a sale is also likely to vary amongst manufacturers of these differentiated products.

NON DIFFERENTIATED

Coil of steel

Raw Materials
Price Sensitive
Standard
Low Service
Non-branded

DIFFERENTIATED

Fork-lift truck

Processed products
Less price sensitive
Non-standard
High service
Branded

Fig 1.4 – Non-differentiated and differentiated products
As the term suggests, differentiations set products apart. Photocopiers within a class may print at the same speed, but the models on offer from the different suppliers could vary in fundamental ways such as in their size, shape and design concept. There could be different features including automatic collation, stapling, double sided copying, programming possibilities and the like. Within the same class these machines purport to do the same thing but buyers can recognise that they achieve it in very different ways. Such differentiation would be even more pronounced if we were to consider printing machines, packaging machines or steel mills.

**Branding at work in a commodity market**

In commodity markets small differences in price give a buyer a justification to change supplier. Discounts of just one or two per cent can swing the order as small savings per tonne can amount to large sums over a year if thousands of tonnes are purchased. Where products are noticeably different and the standards are entirely those of the manufacturers which make them, buyers have many more reasons for selecting one product in preference to another and so other issues come to the fore, particularly the product's performance, quality and durability.

Let’s for a minute think about companies that sell electrical cable - the type that is used for wiring houses. Cable is made to a standard so that it will be roughly the same from each manufacturer. Let’s also assume that each manufacturer charges the same price which is 100 units per reel. Assuming that all had the same distribution, we would expect that the law of economics would mean that each would end up with a 10 per cent share.

Now the demand for unbranded electrical cable is price elastic; that is a small drop in price from one supplier would result in a large increase in demand for that cheaper product. Assume that for every 1 per cent drop in price the share of a supplier increases by 2 per cent. Similarly, a 1 per cent increase in price would cause a manufacturer to lose 2 per cent of its market share.

One of the cable suppliers (we shall call it Company A) decides to raise its prices by 10 per cent to 110. As a result Company A’s market share falls from 10 per cent to 8 per cent - a fall in demand of 20 per cent. Dissatisfied with the loss of business, Company A decides to return his price to 100 units and try another tack.

Company A searches for some means of offering something extra to customers. The cable pack is redesigned with the reel enclosed in a visually distinctive box. The new pack is strongly promoted with an emphasis on point of sale material and a well thought out marketing programme ensures that the major wholesalers accept the new pack and buy in adequate stocks. The new pack offers some handling benefits to both contractors and wholesalers but the major change is improved communication of the brand. The launch proves to be a success with the market share for "Reel-In-A-Box" climbing steadily to 40 per cent. Business is taken off each competitor in equal amounts.
In an attempt to win back their share, the other cable manufacturers reduce their prices by 10 units, expecting that this will do the trick. In fact this does not happen as wholesalers and contractors have now a strong commitment to the branded cable. Branding and differentiation worked for Reel-In-A-Box.

**Summary of chapter 1**

Industrial marketing is concerned with goods and services which are bought by businesses for use in their own factories or offices. Demand for all products is pulled through from the consumption of products by consumers resulting in a chain of industries stretching back to raw materials. The variety of industrial products is enormous.

A feature of industrial markets is an often complex buying decision involving many managers within a firm. The order placed by a buyer, may be the culmination of a lengthy and complex process. Compared to consumer markets, the purchasing of industrial products meets largely functional needs and arguably decisions are more rational. However, non-rational and even irrational factors also shape industrial purchasing.

Historically, industrial buyers have multi-sourced their requirements. However, this approach has changed with a greater emphasis on building a partnership with a just one or a smaller number of suppliers. The major motivators in supplier choice are quality, price and delivery, although each of these factors is complex, encompassing various issues which can be critical to the buying decision. Once suppliers gain business there is a strong influence of inertia; buyers tend to buy from suppliers they know and trust. Often just a few suppliers are considered at all - those included in the buyer's consideration set.

Industrial products lie on a spectrum that ranges from undifferentiated commodities at one end through to complex equipment offering unique design features at the other. Products towards the commodity end are typically traded on price with business won through undercutting competitors. Branding offers a different and more profitable marketing approach, and can transform a commodity into a differentiated and customer-requested product.
BRANDS AND INDUSTRIAL MARKETS
Brand awareness

Psychologists tell us that the memory is extremely durable so that once information is stored there, its strength of associations decays very slowly. The potency of the brand in the memory is brand awareness. Even though prohibition closed all breweries in America in 1920, Budweiser was able to return to its leading position as "King of Beers" after repeal in 1933. For many years now the Midlands based engineering company, Ackles & Pollock has been defunct and yet its name still rings a bell in the minds of people over the age of 55. The company's quite modest programme of adverts in the London tube implanted the brand in thousands of people's minds where it now sits without purpose. In the same way that there are still many people whose brains say Marathon when they look at a Snickers bar, some buyers of industrial wire will say British Ropes when they see the name Bridon, even though the British Ropes name has been defunct for over 20 years.

We can recognise three levels of awareness:

1. Aware of name only, but know little or nothing about it.
2. Aware of the company and know quite a lot about it, but have never used it.
3. Aware of the company through having used it.

We will examine each of these in more detail. At some stage, every company is unknown to us. And, if it is unknown, it clearly cannot be considered as a potential supplier. Creating a basic level of awareness is the first requirement of branding.
The first stage of awareness - knowing the name only

Over time we learn about companies, a complicated process which is later hard to unravel, especially if it took place some time past. This is because we forget the first encounter with the name and, in any case, awareness is built up as one exposure reinforces another.

The sources which help build awareness of a company are:

- sight of the company's products in daily use
- a representative of the company
- adverts in magazines, the press or television (the latter being an unlikely choice for industrial companies whose target audiences are small)
- literature through the post
- comment on the company in editorials in magazines or the press
- colleagues or friends
- sight of the company's vans, trucks or buildings
- exhibitions
- videos
- sponsorship.

Through any one of these means a first stage of awareness is created but, if nothing else is known about the company, there will be no special interest, no trust and no reasons to buy. However, there could be some perceptions, no matter how vague. The name itself may produce a warm or cold feeling or offer a clue as to its origins.

The second stage of awareness is knowing the company and something about it

Within this second stage of awareness, people could have many different levels of knowledge on a company
ranging from a vague appreciation of what it does through to a depth of understanding about its product range and prices. Also, perhaps, there will be some preconceptions about "softer" concerns such as manufacturing quality, dealings with customers, after-sales back-up etc.

This awareness of a company and what it does may not always be correct. Wrong messages may be picked up from not fully reading an advert or selectively taking in some of its communications. Early stages of awareness involve picking up partial knowledge and the mind fills in any gaps by supposition. The result can be misconceptions about what the company does and what it stands for and which subsequently influence attitudes to a company as a supplier.

The third stage of awareness is knowing and using the company

In general, the greatest level of awareness is held by those who know a company as a supplier. People who have experienced a company's products and services are best able to comment on its prices and the service levels and, since they will have had first hand experience of its products, they will be able to comment more authoritatively than others on their quality and reliability.

People absorb information on subjects of interest. The more people know about a company, the more their interest is raised. This means that once a company has achieved the status of being supplier, it will be able to engage buyers' interest more readily with its adverts and promotional messages. Buyers are more willing to see the representatives of companies they know and use than those they do not. It is a perversity of marketing that sales efforts and promotions have more impact on customers than they have on potential customers and yet it is often at the latter group they are aimed.

Brand recall

Brand recall is the ability to think of the name of a brand or supplier. Think about all the consumer brands you know over just a couple of minutes and before you know it your mind will lock into clusters of products such as cars, cigarettes or types of food. You will be able to list a few brands within each genre until your recall dries
up and you flit to another group. Your list will be made up of twenty to thirty big brands, household names, interspersed with lesser known names which surprise you for being on the list.

Ask a buyer to name suppliers of a particular product and you will be told with a sigh "there are hundreds, where do you want me to begin?". When pressed to name a few, it is remarkable how quickly the names dwindle; "There is another one, its name begins with B, you know the one I mean."
The mind holds far more brands than those which were listed in that two minute exercise; and buyers in industry know more than those which they are able to mention "off the top of their heads". However, unless prompted, these names remain locked in the mind. Sometimes a cue is needed to spark the recall. The trigger could be something associated with the company such as its logo or information linked with its products. Brand recognition is always greater than brand recall.

Typically, the unprompted recall levels for an industrial company amongst its target audience are between 30 per cent and 60 per cent depending on its domination. However, levels of recognition often rise to around 90 per cent after showing or reading out a list of brand names.

**Brand association**

Consider the following list of names. As you look at each one, what thoughts come into your mind?

Albert
Chardonnay
Dominique
Fred
Horace
James
Karl
Michael
Sean
Sid

Some of the names may not raise any emotions, others may make you think of a person of a certain age, appearance, character, warmth, or nationality. The images which come to mind arise from both the conscious and subconscious and emerge as a bundle of feelings; a distillation of all the experiences and knowledge accumulated over the years. Some of these experiences will have been acquired in childhood, perhaps from reading a book or knowing someone at school. Others could be quite recent.

Shakespeare was wrong when he wrote that famous declaration of love buy Juliet for Romeo, "What's in a
name? That which we call a rose, by any other name would smell so sweet.". He was wrong because almost certainly Juliet would not have been quite as charmed if the rose had been called a stinkwort. Names develop meanings and associations. The way they scan, their composition, our experiences acquired through knowing them invoke distinct feelings.

In the same way that a person's name raises an association in the mind, so too a company or product name conjures up an image. Look now at the following list of company names and again what comes to mind.

Dentsu
DHL Couriers
Exxon Corporation
Oracle
JP Morgan
RS Components

Some company names offer a clue as to what they do from their name itself. You may not have heard of RS Components but you get the idea that its business is something to do with the supply of components of one kind or another. DHL is obviously a courier. But these suffixes are only partial clues. You would not know from RS Components' name that components it supplies are largely electrical and mechanical bits and pieces.

But what of a company which offers no clues at all as to its identity? The gargantuan Exxon Corporation is probably known to most people as the company which markets Esso petroleum. JP Morgan is another large American company with global offshoots, this time a merchant bank. Oracle is one of the biggest brands in the world but how well known is it outside computing circles? Unless a buyer is in the know, the name of Dentsu, offers no clues as to its identity as one of the largest advertising agencies in the world.

Initials are in common use in the titles of industrial firms. For some companies the initials have fused into a mnemonic with more meaning than the original words. IBM and ICI are recognisable names throughout the world and seldom do we wonder what they originally stood for.

Beyond these obvious leads which we get from a company name, what do you feel about the companies? If nothing is known about the company then clearly it is difficult to feel anything other than what is created by the syntax of the word. But what of the companies in the list you do know something about? Do the names conjure up facts or raise any emotions? Do you think they are big or small, British or German? Do you feel warm or cold about them? Do you think they are a good company or poor company?

These associations which come to mind, whether hard or soft, whether factual or emotional, are attributes of the brand - descriptive features which characterise it. The attributes can be related to the product and by this we
include all the service elements which constitute the offering. This means that the warranty conditions, the after sales service and the price are all part of the product attributes. In addition to these fundamental issues are more intangible attributes which are in the main related to the imagery surrounding the product.

Building brand associations

Small companies do not have the manifold opportunities through which people can become aware of their names as do giants like IBM or ICI. Thus, for the small company it is all the more important that every occasion is taken to build awareness and communicate a message.

Such is the anonymity of some company names, you would never be able to guess their business. You pass John Williams Ltd's van on the road marked with his address and telephone number. No one will ever write down or remember his number or his address and no one will know what John Williams does from this `boiler plate' information on the van side. The failure to indicate to people what a company does within its title is a lost opportunity to communicate and it can be easily solved by a short descriptive line underpinning the name. It would be enough for John Williams to under-score his name with a strap line which tells us he is a decorator, a plumber, a printer or whatever. Small companies with anonymous names need to consider every opportunity to tell people what they do whether its from the side of a van, a letterhead, a business card or a compliments slip.

Sometimes a company can gain an advantage simply from the sound of its name. Möben Kitchens are made the North of England but the umlaut in its name gives it a Teutonic cache. Similarly the Berghaus range of clothing from Newcastle implies a location nearer the Alps. In the garage equipment market, most of the leading companies are German. An English company seeking some association with this German halo could adopt a Teutonic sounding name. Similarly, the sound of a name can communicate size. Northern Insulations sounds as if it is a much larger company than Crewe Insulations. Going further up the scale of territorial size, a name which features the word `International', `British', or `American' has a ring of authority about it though it should be noted that there are considerable restrictions on a new company adopting such grand titles.
Imagine that the managing director of a small company needs an advertising agent; not one of the largest agencies but a modest sized company in tune with his account. He could look in the Yellow Pages and take pot luck or, more likely, he could consult a colleague for a recommendation. The more trusted the source of the recommendation, the more this trust will attach to the named agency. Word of mouth is, therefore, important as a means of building awareness and association in industrial markets.

Word of mouth takes forever to get around and most companies cannot wait that long. Active rather than passive means have to be used to make the company known. Salesmen are employed to carry the word. Adverts are placed in journals to inform and educate but also to create a feel for the company from their style and tone of voice.

Gifts from the company can reinforce brand associations. A newly launched wire company sent out wire puzzles; an industrial photographic studio mailed intriguing pieces of a jigsaw which built up over a period of five days; a new courier emphasised the care and speed of its service by delivering boxed red roses to potential customers.

**The role of the logo**

An important accessory to the name of a company in building awareness and creating associations is a logo or symbol. The power of the logo is at its greatest when a company addresses a wide audience as it provides another means of rapid communication but it also has an important part to play in industrial companies facing more limited markets.

An industrial company with only 50 or 100 customers may question the need for a recognition symbol as everyone who needs to know the firm is regularly in communication with it. But as with all aspects of marketing, the logo should not be taken in isolation. It is the accumulation of the impact of the logo with the name and typestyle which creates an image.

Whether large or small, industrial or consumer, all companies have a need to create the right impression. This should be communicated through an image of their choice. It could be modern or traditional, dynamic or solid as a rock, inventive or responsive. The sales force will play an important part in shaping the view of the company but so too will every other signal it puts out from the style of its website through to the quality of the paper it uses for its stationery, its name, the type-style, the logo, the colours in the design etc. A small company needs all these things to work together for it: the clean and clear web site, the smart letterhead, exemplary literature and reps in smart suits will reinforce each other to shout out “trust us, we are professional”. It is also worth pointing out that a strong visual metaphor, such as a logo, costs very little and yet works disproportionately hard, so taking maximum advantage of the typically small promotional budgets of industrial companies. Logos are not just for big consumer brands.
The logo acts as a memory cue which helps the observer recall the company and what it stands for. There have been fashions for logos and over the years there has been a move away from simple monograms of initials to more stylised pictures of what the company does and represents. Cognitive response theory argues that brands are recalled and retained longer if the observer has to make some effort to understand them. Not so much effort that they abandon their search for any meaning, but sufficient to lodge in their mind.

Most of the communication with a customer is non verbal and therefore relies on the sight of the name and logo style. The name itself has been shown to evoke an image but so too will be the way that the name is portrayed and the support which is provided by a logo. The logo can work in tandem with or apart from the name. For example, it can be used on packaging, on transport and on work-wear.

Because symbols are pictures they are easier to visualise and recall than words. If we turn words into metaphors they are readily understandable and more memorable. A company logo provides the opportunity to communicate a symbolic representation of what the company is about - what it does, what it stands for. In this way Legal & General uses a colourful umbrella as a logo, denoting its role as a provider of cover for its customers. Hammerite, a supplier of metallic paints, leaves people in no doubt as to its business with a logo in the shape of a shield saying “made for metal”. More subtle is Air Products’ A which is a stylised version of the alchemist’s symbol for air.

The logo need not symbolise the business of the company. It could be just an identification mark which people learn to recognise through constant exposure. Dunlop's flying D was created many years ago to indicate a dynamic company with no reference at all to its business in the rubber industry. ICI’s roundel with the initials sat upon waves provides instant recognition but offers only the remotest connection with the chemicals business.
Chapter 2 – The awareness and associations of a brand

Summary of chapter 2

There are three levels of brand recognition; awareness of the brand name only, knowledge of products and other features associated with the brand and experience gained through buying the brand. Various marketing techniques can be used effectively to build awareness.

Buyers are exposed to hundreds of brands in their own field but "top of the head" recall is often quite low. Brand recognition, triggered by some stimulus such as the brand logo, is always much higher than brand recall.

Like all proper names, brands have associations; with the products and activities under the brand umbrella but also with many other attributes surrounding the name. Brand association can be positively fostered.

An important dimension of a brand name is its visual representation - the logo. Developing and communicating the logo is an important part of successful brand marketing.
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

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.

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.
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.

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.

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 (e.g., 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.
The whole rationale for this book is that brands are an important and yet neglected part of industrial marketing. On these grounds it may be reasonable to assume that the more brands the better. This is not necessarily so. Without understanding the consequences, management sometimes allow brands to proliferate by the creation of sub brands or, without adequate analysis, they extend a brand into new product areas and fail to benefit from established brand values.

Sub brands form part of a family of brands and they are often a means of tailoring a product or service to a particular market sector or niche. A new firm of couriers called Ace decides to offer two levels of delivery, within 24 hours or within 48 hours. The 24 hour delivery it calls the Ace Gold Service, the 48 hour one it calls the Ace Silver Service. The Gold and Silver Service are sub brands within the Ace range. Brand extensions are additions to a range marketed under an already established name. If Ace ever decides to open a parts delivery service for garage repair shops and call it Ace Parts, this would be a brand extension. Sub brands and extensions are the subjects of discussion in this chapter.

**Product names and sub brands**

There is a difference between sub brands and the string of product codes or names that are simply used for placing an order. Companies are often hostage to Product or Brand Managers who feel the burning need to create a brand when frankly, the customer doesn’t care and the newly created brand has no value. When there is a very large range of products as with Motorola's or Intel's semiconductors, the names of Greek Gods or planets would quickly be exhausted if they were the locators used to list the product range for the purpose of ordering. However, if the product range is limited in size, perhaps half a dozen sizes of power tools, the temptation is to use a name. The company may itself feel better about this personalisation of its products and yet be mortified to find out that customers do not know nor do they care of their existence.

A brand is only a brand when customers recognise and value the name and think of it as in some way special
and different from other products in the genre. The following table lists the differences between real brands and simple identification labels.

<table>
<thead>
<tr>
<th>A brand ...</th>
<th>An identification label ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>... is something that customers ask for by name</td>
<td>... is a convenient locator in a product range</td>
</tr>
<tr>
<td>... is the name used by customers when talking about the product with other people</td>
<td>... is something which could just as easily be ordered by description</td>
</tr>
<tr>
<td>... is when people think of the name rather than the product</td>
<td>... is a label which could readily be changed to something else without any loss of customer loyalty</td>
</tr>
<tr>
<td>... is something which has developed a personality of its own, beyond the product itself</td>
<td>... is a label which customers have to look up and don't really care about</td>
</tr>
<tr>
<td>... is something that people would pay a premium for under that and no other name</td>
<td></td>
</tr>
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</table>

A true sub brand is a name which a company attaches to part of its product range or services and which it believes deserves special promotional support. Sometimes such sub brands are used in isolation from the main brand but it is far more common to link both names - as in Ace Courier Gold. The sub brand is in this way endorsed by the main brand and hopefully some key values are transferred. However, as we shall discuss shortly, whilst the sub brand may be strengthened in this way, the main brand may be weakened; if nothing else, the identity is likely to be less distinct.

Sub brands are only justified if there are a relatively small number of them and if the market is sufficiently large to support them. Ace Couriers' Gold and Silver Service may be acceptable, whereas attempting to attach a brand to each one of Intel's long list of different types of semi-conductor would not be. Also, high interest products lend themselves to branding because they engage people's interest and this enables the names to lodge more readily in the mind.

Some truck manufacturers go to considerable lengths to develop names for the different models within their ranges which become sub-brands. Volvo and Scania have been successful with simple model brands that sit under the main company name. For example, the Volvo FL, the Volvo FE and the Volvo FM, and the Scania P340 or the Scania R560. It is salutary that Ford and Leyland lost share to these two rivals with their ranges that had brand names such as Cargo and Dominator. There is no doubting the excellence of the Volvo and Scania products and that must have played a vital role in the growth of both these companies market share. It could also be that these companies benefited from the reinforcement of their corporate brands by using a simple
suffix to identify the model rather than dilute the larger brand name. In the larger volume van market it has been possible to build separate sub brands with strong identities such as the Transit (as in Ford) or Trafic (as in Renault).

**Sub brands can grow from products which were first in their field**

Other types of sub brands are those which are used to identify quite different (and often, when launched, unique) products within a company's range. There are a number of examples of industrial brands which have grown to dominance even though they are marketed by companies whose names are strong in their own right. Pyrotenax is a widely specified flame proof cable and is made by Tyco Thermal Controls. Styrofoam a urethane plastic from Dow Chemicals; Terylene a polyester from ICI. In each case the sub brands refer to distinctive products which were the first in their field. Sub brands of this sort can become strong and may be promoted or recognised with little or no linkage to the main brand. There may be many imitators of these products whose quality and performance is probably little different but the special brand values associated with the sub brand pulls them through and gives them market leadership.

**Specified products lend themselves to sub brands**

Building a sub brand is also justified if the product is one which is specified. Architects have to specify construction materials and manufacturers of bricks, pipes, roof tiles have successfully created sub brands for their ranges. The more specialised the product and the larger the market for that product, the easier it is to build a distinctive brand identity. Thermal glass, high performance fire breaks, distinctive ranges of bricks all lend themselves to sub branding as through this means they can achieve recognition and be specified.

**Building sub brands brings its own problems**
An important test of management’s commitment to a sub brand is its willingness to support the brand with its own promotional budget. Without promotion a brand will get nowhere. People will not hear of it, they will not learn about its special features and they therefore will not be able to specify it. In other words it will not pass the test of being a brand. Sub brands, therefore, should only be used where there is a will and resources to support them with adequate promotion.

There are two common problems associated with sub brands. Firstly, there is the cost of supporting the brand and secondly the risk of the sub brand diluting the effect of the main brand. Let's look first at the cost of building a sub brand. Admittedly the cost of doing so in industrial markets is nowhere near as much as in consumer markets, as groups of industrial customers are smaller and can be readily identified. Often industrial targets are easily accessible through closely targeted promotions. Firing repeated promotions at a small cohort of customers over a period of a couple of years need not cost a lot and it could be effective in creating awareness and interest in the brand. Nevertheless, the money spent on the sub brand is money which is not available for other promotions. Assuming a limited promotional budget, a sub branding policy will rob the main brand and weaken it by that amount.

The second problem of building sub brands arises out of the limited shelf space buyers have in their minds for storing the names of brands. Three, four or five brands sit comfortably; more than this and they become harder to recall. If a company launches sub brands, they will join the ranks of all the other brands fighting for front of mind position and this could dilute the impact of the main brand. In the same way, the promotions for the sub brand will thin out the effect of all other promotions including those for the main brand. Any gains may be lost because the identity of the main brand becomes diluted and uncertain, in other words, the parent brand is overstretched.

**Brand extensions and their relevance in consumer markets**

If a brand has a value, then it should be possible to transfer those values to additional products, so enabling a company to broaden its range. A strong brand can make it easier to launch new products. The original brand will have associations which will be helpful to the new product. In industrial marketing, the company is nearly always the brand, acting as an umbrella under which all the products sit. An extra product would be under this umbrella along with the existing range. This is a brand extension.

Brand extensions are frequently used in consumer marketing. Most brand extensions are logical additions to an existing line such as Coca-Cola introducing Diet Coke or Caffeine-free Coke. The principle is the same, though a little more difficult, when the move is into a more distant category of product such as Mars’ move into ice cream bars and chocolate drinks and Palmolive from toilet soap to shaving foam. It is tempting to push this brand extension but it can sometimes be too far. Next tried extending its retail brand into Next furniture, Next
Chapter 4 - Sub Brands And Brand Extensions

Hairdressing, Next cafés but with little success. Virgin are still persevering with colas, insurance, and cars and the jury is out as to how successful these will be in the long run.

Where there is a close association between an existing brand and the new product, brand extension is more likely to work. Researchers seek out these associations in group discussions and depth interviews. Using these associations it is possible to show which areas of opportunity, which new products, are closest to the core values of the brand and which are furthest away. Those which are closest will gain most leverage from the existing brand.

The American company, Castle & Cooke owns the Dole brand which holds a strong position in tinned pineapple. Through market research, the company discovered that consumers perceived the company as a supplier of sunshine products and this prompted the brand to be extended into a number of categories of new products. The "o" in Dole, which had previously been capped by a pineapple crown, was replaced by a vivid yellow sunburst. A new range was introduced including dried fruits and snacks, fruit juices and frozen desserts. Recognising the power of its brand, Castle & Cooke decided to change its corporate name to Dole.

In industrial markets it is often more realistic to think of brand extension as product line extensions. Every time a customer asks for a product modification, another line is added to the range and the brand has been extended. In industrial markets, the product identifier or label used to name the extension may simply be a title such as Version Two, Mark Three or a string of code numbers and letters. By adding products in this way, portfolios can get out of hand requiring hundreds of varieties to be kept in stock, none of them being individually promoted and most being ordered once a blue moon. Every now and then the product range gets a dusting down and is brought back to more manageable proportions.

These product extensions work best if they are seen by the market to fit a company's existing range. It makes sense for Avdel, a manufacturer of rivets to also offer riveting guns. The products are different but complementary and are seen as such by its public. In other cases an apparently logical move does not work as a brand extension. Kalamazoo, a company that originally sold accounting systems, branched out security print such as cheques and payments and tickets. The strength of the Kalamazoo brand helped the company make that transition when electronic software products attacked its traditional paper based market.

Brand extensions in the consumer sense of giving a product a marketable name, are relevant in business-to-business equipment sectors where there are a larger number of potential customers. In these circumstances, the promotion of a separate brand name may be worthwhile. Because Hewlett-Packard supplies computers, it makes sense for it to also supply printers and peripherals. Because Makita make drilling hammers they may as well make power saws and screwdrivers. Makita gives its products a code; Hewlett-Packard gives its printer models names such as Paintjet and Laserjet. Determining the value of the Paintjet and Laserjet names as opposed to that of Hewlett-Packard itself is hard to assess. Should they be treated as true sub brands and
promoted or as mere identifiers? Could it have done it any different way? Would it have been as successful in the laser printer market if it had played down the Hewlett-Packard name and majored on the sub brands of Laserjet and Paintjet. We shall never know if it could still have achieved its position if it had simply promoted its printers as Hewlett-Packard printers, models 1 to 10.

In industrial markets brand names are often extended by organic growth rather than conscious planning. Take Rolls Royce. Originally the brand of a luxury car, the company at some time started to offer engines for trucks and aircraft. With the development of jet turbines, the aero engine business became very separate although there was probably some spill over of brand values; particularly those associated with engineering excellence. Following financial problems and short term public ownership, the car and aero engine businesses were separated, cars were sold off along with the right to the use of the brand name. Could the Rolls Royce brand now be extended to new markets by deliberate design? Possibly, the engineering excellence and scientific knowledge of Rolls Royce, backing the aero engine business could be exploited in specialised high tech industrial markets. More, doubtful would be using the name for luxury consumer goods; the synergy it not really there.

**Summary of chapter 4**

Sub brands are part of a company's family of brands and come under the overall umbrella of the main brand or company name. Sub brands can be very effective to support new and novel products and especially where they are initially unique. They can also work well in markets with strong third party specification.

Sub brands should, however, be understood to be quite different to mere product or model identification names which could be inter-changed with numbers. Unlike identifiers, sub brands must be communicated and supported.

Sub brands are a call on the marketing budget. In many industrial markets the size of the market and the available budget precludes effective sub-brands or if they are used leads to an unsatisfactory marketing dilution. Sub brands can also weaken the main brand through creating confusion and blurring its identity.

Brand extensions allow new products or business diversification to capitalise upon the strengths of established brands. This is most effective in linked markets and where the brand name has an established and positive profile.
In the preceding chapters we have discussed the concept of brands and branding. We now show some of the ways that branding can be effectively used in industrial marketing. Some of these themes are also developed in later chapters.

**Creating trust, confidence and comfort through branding**

Every time a buyer needs letterheads printing again, every time the stocks of machine oil require replenishing, every time a courier is needed to deliver a package, the buyer does not ask three companies for quotes – more often than not he goes straight to his usual source. The buyer has learned to trust his regular suppliers. They know their prices, they have compared them to others in the past and found them to be competitive; they know that they perform as they promise and others may not. Inertia takes over.

As trust builds, the relationship between the buyer and supplier moves into a partnership which recognises that the goals of both organisations can best be met by working together. It is of course essential for the supplier never to abuse the close relationship. If there is ever evidence that this is the case, the trust which has taken so long to build can be immediately destroyed.

In the same way as friendships are built, first by acquaintance and then by greater familiarisation, so too a well-known brand becomes a friend. Have you ever been in foreign parts and passed a branch of a supplier you use
back home? You feel as if you could pop in and get help if needed. You even feel as if you want to pop in and tell them about yourself.

When a strong relationship exists between two companies, it is at all levels. The buyer knows the sales team because they speak regularly. The switchboard operator knows the names and voices of the customer when they phone. The production personnel and technical teams are in touch with each other. The delivery people know the warehouse people and so on. The feeling of comfort with the brand is underpinned by friendships with the supplier's personnel.

Deep seated confidence takes time to build. It is based on repeated use and the assurance which comes from not being let down. It would be unrealistic to expect this confidence to exist just because a few orders have been placed and successfully delivered.

There is, therefore, a staircase of branding which begins with a bottom step at which there is simple recognition and awareness of a company and possibly its logo. As we go up the staircase, the next level is a more informed opinion of the supplier, perhaps arising from things which been read or seen or picked up over time. As we climb still further, we arrive at the next level which is one of experience, achieved following use of the product or possibly from anecdotal comment given by other people about their experiences using the product. As we get to higher levels of the staircase we reach a point where the relationship between buyer and supplier is extremely strong, satisfaction is high and there is a high likelihood that there is a favoured status given to that supplier. The very highest level on the staircase is one of advocacy in which the buyer not only stays loyal to the supplier but strongly encourages other companies to use it, telling people about its strengths and acting as a powerful endorsement. At each level of the staircase branding plays a role ranging from simple awareness on the bottom step to strong advocacy and loyalty at the top.

**Brands versus personalised business**

An old adage is “sell yourself first, then your company, then your product”. This has its advantages as there is nothing like personal relationships for creating bonds but it has its dangers, especially where personal relationships are the basis of the business.

Bill Atkinson, the manager of a road haulage operation in Derby operated a fleet of Volvo trucks and was asked why he chose this particular make. He reflected for while and then replied "I don't buy Volvo, I buy the dealer." As great as Volvo trucks are, the dealer had done a better job at selling himself. It was the dealer who got up from his Christmas dinner to drop off an urgent part and it was the dealer who drove miles on a dark winter evening to get a truck moving. It was the dealer with whom Bill Atkinson spoke every day and it was the dealer who became his friend. The relationship was such that if the dealer changed his franchise, Bill Atkinson may well have thought about changing his allegiance to Volvo. In this case, the brand had been overshadowed and
the business had been left vulnerable to any changes in the dealership.

Many industrial companies recognize that their customers value personal relationships and as a result put 90% of their resources behind their sales force. There is no denying that the sales force plays a vital role in business to business marketing, but there are many other values that could be developed and built into a brand. For example, a supplier of photocopiers could concentrate its marketing efforts only on the sales force but in so doing it would put its business at risk if a salesperson leaves or is promoted. However, if the photocopy supplier takes the time and trouble to reinforce its brand by reminding the customer of its many services, the gap left by a salesperson will not be such a large one to fill. The technical support is still there, there is trust that invoicing will remain accurate and if there are any problems, a swift resolution will be received. The thesis of this book is to suggest that by setting out to build a brand based on many values, and by having a vision for the brand that makes sure the right values are communicated, changing a salesperson will never threaten an account. The brand will be much bigger and stronger than just the relationship between buyer and supplier.

**Brands give promotions a focus**

Daiwoo, the Korean conglomerate, began to make its presence felt in Britain in the 1980s. It had a peculiar name, one which no one had heard of and were unsure how to pronounce. It also had diverse business interests from finance to vehicles. It began its campaign with a series of adverts using the line "Daiwoo - who?". The first adverts featured mainly the brand but gave some clues on the pronunciation of the name through alliterative headlines. Only when the name was firmly lodged in people's minds did the campaign progress to communicating the complex details on the company. The company avoided the temptation to put too much information into its early adverts as this would have left the reader with information indigestion. The more measured way required patience but it established the brand firmly in people's minds at the start.

Brands are at the heart of advertising campaigns as it is the objective of most promotion to persuade people to ask for a specific brand and accept no substitute. Of course, focusing on the brand without giving people a reason to buy it is not enough but the building of brand awareness and maintaining the brand's position in people's minds should always be an important goal of any promotion.

A brand acts as an anchor, reminding people what the company does and what it stands for. Sometimes the anchor can be given a stronger hold if the brand is linked to a strap line - a sort of mission statement explaining the brand. These mission statements have a long life if they resonate. "You can be sure of Shell" from Shell Oil. "The ultimate driving machine" from BMW, "No FT, no comment" from the Financial Times, "Let your fingers do the walking" from the Yellow Pages.
Brands encourage buying

Most products and services in business to business markets are bought out of necessity – they are not bought for personal aggrandisement. However, necessity is not something that is always obvious; there are sometimes gaps in markets, pools of demand which have not been tapped. There are un-met needs. Marketing is concerned with spotting these opportunities and branding is the means by which they are made more tangible.

Strong branding can be a spur to buying, even if the product is as mundane as electric motors, compressors or metal pressings. The buyer may not buy more than is necessary for why should he? However, he could be motivated to place most of his available business with a supplier that he likes. As vendor rationalisation takes place throughout industry, it will be companies with the strongest brand identities which become stronger and they will win the larger contracts. A company doesn’t necessarily have to be big to win the biggest contract, but it does have to have a big brand, one that carries the values that allows the buyer not to worry about having all his eggs in that one basket.

Brands give status

In consumer markets, branding is very often synonymous with status marketing. Luxury brands create a desire to own and a strong motive to buy, so strong they can command large premiums over and beyond their intrinsic worth. In industrial markets there are corporate events at Henley, Ascot and Wimbledon which confer a status on the companies which carry out the entertaining. Here it is the location itself that has the brand status but this is communicated to the company offering the corporate hospitality. Motorola wasted no time signing 17 year old Maria Sharapova, the hottest property in women's tennis after she hit the headlines for calling her mum from Centre Court using a borrowed Nokia. The banks are generous sponsors of the arts, tapping into the goodwill of well heeled directors of companies who are frequent patrons of theatres and art galleries.

Strongly branded companies carry far more credibility than those which are unknown. It is no surprise therefore that just four audit companies, PwC, KPMG, Ernst & Young and Deloitte, audit all but one of the FTSE 100 companies and more than 95 per cent of Britain's 350 largest firms.

A strong brand can imply that the buyer is discerning. For example, a small company may employ one of the first division accountancy practices to gain esteem and respect amongst the business community. The facilities and overheads of the large accountancy practice may be way beyond the needs of the company but the premium which must be paid for choosing it is justified by the status which is attached. Companies seeking a public quotation on the stock exchange choose well known advisors as much for the confidence their names bring to the floatation as for their advice.
Brands may be communicated by printing the logo on a gift such as a diary, calendar or ashtray. These gifts, emblazoned with company logos, find their way into employees’ offices and homes on memory sticks, corkscrews, stress balls and mugs. They become unpaid billboards. Outdoor jackets are worn with the logo on the breast or sleeve. Umbrellas are raised with company names emblazoned across them. The T-shirts given to the 35,000 entrants of the London marathon promote the name of Flora. It has become fashionable for people to identify with brands and, in so doing a sense of commitment is created.

Industrial brands are also worn by people as symbol of their commitment to their own companies. Employees wear uniforms featuring the brand name and logo and, if the brand has any value, they are proud to do so. The employee may be inspired to act differently and ‘raise their game’ just because they are wearing a uniform. Representatives occasionally have decals of the brand on their company cars and almost always company transport fleets are decked out with a branded livery.

However, the status of brands can only be used up to a point. It used to be said that “nobody ever got sacked for buying IBM”. This may have been true, but where did it get IBM. Their brand may have been strong but it wasn’t strong enough to stop them being driven out of the PC market by new and up-and-coming brands that stood for better value for money.

Also there are some brands which have a negative status association. Lada cars have been the butt of many a cruel joke which has devalued the brand. Skoda has worked on its image with the slogan “It’s a Skoda. Honest.” emphasising the quality of the car and poking fun at the brand values it has left behind. Whether we like it or not, perceptions and prejudices exist in relation to countries, companies and products. Such is the power of these associations, that they will attach themselves to products or services as if by some magnetic pull. It is the responsibility of the marketer to make sure that the associations are managed and directed so that they align with the value that is being sought for the product rather than finding its own ground. A brand that is left to drift will find its way somewhere and that may not be a place that does it justice.

**Brands make it easy to buy**

A brand which is well known is easy for a buyer to find. They jump off the page. A company that has achieved the position of favoured supplier may be put on a buyer's auto-dial so that the favoured company is always the one which is called and no others get a look in.

The buyer's perception of the brand is reinforced by the way he is treated. If the buyer's voice is recognised by the receptionist, it is a complement to his importance. If his buying requirements are known, there will be no explaining as to what is required, perhaps no paperwork to fill in. If there is a system or serial code for the product, the buyer will know it and this makes the ordering process smooth and uncomplicated.
All this is under threat if the buyer considers switching to another brand. He is not recognised over the phone and has to spell his name. The person at the other end of the phone, we must assume, will be extremely enthusiastic about the prospect of a sale and is likely to be immensely accommodating. However, this is a new customer and there could be some tough talking and initial screw ups before the supply is on an even keel. This time, hassle and risk means that for many buyers, switching to another supplier is not necessarily an easy option. In many business to business markets, once a brand is established with a buyer, another company will only be able to oust it by making a much more attractive offer or if the incumbent company does something very wrong.

Brands block out all others

We have argued in an earlier chapter that people hold only a limited number of brands on the shelf space of their minds. This means that once a brand occupies a slot, it acts to keep others out. Brands occupy more than a slot in the mind, they also take up space on distributors' shelves. Wholesalers and distributors of industrial goods have to achieve a balance between holding an adequate range of brands to keep customers happy and at the same time ensuring their own inventories are in check. Typically they will carry a couple of the market leaders' products and possibly a "fighting brand" for those customers who will not pay the premium. Once the wholesaler has made the decision which brands to stock, he will be loath to change. Defaults on the part of one of the established suppliers may open an opportunity for another brand to move in but a company hoping to break into the account could wait a long time if the incumbents never make a mistake. The most positive thing a would-be supplier could do to win entry to an established distribution network would be to try to pull demand through by creating such a strong brand that people repeatedly ask wholesalers for it. This can be an expensive task.

In many industrial markets, buyers are inundated by suppliers trying to get a foot in the door. It is not unusual for a buyer of energy to receive five calls per week from suppliers who are full of promises about how they can offer better service and cheaper prices for gas or electricity. Each of the would-be suppliers is presenting its best case in an attempt to win custom and yet the buyer knows that much of what he hears cannot be true. The chances are that the company is not much better than the suppliers already used, after all, the competitive influences of the marketplace mean that his existing suppliers have to keep in line with the competition. A
new supplier may make an extra effort to begin with, perhaps a gesture on price or a special endeavour when it comes to service, but will they sustain it? There will still be another five people knocking on his door next week saying that they can do better and he has neither the time nor the inclination to constantly be reviewing his suppliers.

**Brands make buying safe**

Market leaders in every field have an advantage in that they can be assumed to offer good products; otherwise they wouldn't be market leaders. All those other people who have placed their faith in the company have acted as the proving ground and taken the risk out of the decision. A market leader's products usually carry a premium but this is a small price to pay for safety. The higher price can be offset against the saving in time and money which would otherwise be spent looking around at the alternatives.

If you are unsure about which product to buy, surely you can’t go far wrong making the same choice as a million other people. There is an assumption that leading brands have withstood the scrutiny of many buyers and as such are probably a safe buy. Remember what we said, in the early days of computers it was thought that you would never get sacked for buying IBM.

**Using brands for joint ventures and licensing**

If a company has technology which it seeks to sell, a strong brand will help it find and secure licensees. A brand with a high level of awareness and a good reputation carries an image which ‘warms’ the potential licensees even before negotiations have begun. A well known brand communicates important messages about the company in shorthand without the necessity to make a strong justification for the licence. Companies only feel comfortable creating joint ventures or taking licences from companies with strong brands.

Dow Chemical and Corning Glass recognised that the value of their independent technologies in silicone which lead to the creation of Dow Corning, a silicone specialist leveraging the established brands of its parents. Much of the profits from Pilkington, the glass manufacturer, comes from its world-wide licence revenues. Pilkington was helped in marketing its technology by its strong brand name in the UK and it has enabled it to access international markets with a minimum of capital expenditure or risk.

**Using brands for pulling demand downstream**

In the first chapter of this book we saw how industrial companies sit somewhere in a chain of demand which is determined by purchasing decisions downstream. It is the hope and wish of every industrial marketing manager that someone downstream will insist on his brand. Intel exploited the significant role played by its microchips with its Intel inside campaign. Experienced walkers know the value of W L Gore's breathable Goretex fabric
which is often considered more important to the final customer than the company which actually fabricated the garment. However, to achieve this pull through, the co-brand must contribute to at least 15%-20% of the value of the product in the customers’ mind. In truth there aren’t many components that can make this claim.

**Summary of Chapter 5**

Brands create trust and confidence in industrial market and have come to symbolise a strong and on-going relationship between customers and suppliers. In the long term, branding is a far better approach than building business just on personal relationships.

Brands provide a focus for promotion and help build continuity. Effective branding encourages buying; either choosing one supplier over its competitors or stimulating interest and demand for novel products. Branding can also stimulate demand downstream and encourage final buyers to specify products that contain branded components.

Many consumer brands communicate status. Status is seldom a driver in the selection of brands in industrial markets but there is a strong propensity to go with the flow and choose the brand that is market leader.

Branding is an effective competitive strategy in industrial markets. A strong brand blocks out competitive penetration.
ANALYSING BRANDS
CHAPTER 6

STRIPPING BACK TO THE CORE VALUES

Core values - finding out what they are

Every company has something which brings in the customers - the core values of the company or brand. Core values can, however, be lost from sight as time goes by. An entrepreneur starts a business and wins sales because he or she offers individual service, is a talented engineer, thinks nothing of putting in long hours and extra effort to make sure the customer is satisfied. The core values are dedication and engineering excellence.

This formula results in the company growing, eventually gaining a momentum which continues to bring in the business. Customers return to the company again and again. This brings a new dimension - its long established position becomes the reason for buying though, in truth, there is nothing special about the company which others couldn't match or better.

Many small companies have, as their credo, high service levels. As the companies grow, as the proprietors get rich, they loose the desire to work long hours and put themselves out for customers who could even be seen as intrusions in the smooth running of the business rather than vital to its survival. The service levels fall away and so does the business.

A dependency on past values, which may no longer be evident, can mislead a company into thinking that it has a divine right to custom. Since customers keep coming back, an assumption is made that this will always continue. What caused the company to grow is forgotten. In time the reputation of the company proves to be insufficient to pull in the custom and eventually, the company will slow down and die. Sometimes companies have a life cycle determined by their products but more often their life cycle is determined by creeping indifference.
Companies are beginning to look increasingly similar in many markets. Technology is available to any company at a price. Ways of making things have been refined and everyone understands and follows the 'best practice'. Large companies, run by professional managers, regress towards the centre, watching what competitors do, picking up the best ideas and often as not taking safe decisions to protect their own hides. Eventually, all companies look the same and none stand out from the rest.

If a company concentrates on the core values, such as making superbly reliable trucks, then it can afford to become more adventurous and try to delight customers by finding something extra, beyond the crucial elements of the offering. If it fails to differentiate by giving customers that little bit more, then despite excelling on the core values, it will join the morass of companies in being seen as just another manufacturer. The point of branding is to create a distinctive image which is underpinned by core values and some extras which distinguish the company from all others. The idea is to make this proposition as simple as possible, preferably distilling the core value to just one word.

**Internal analysis**

There are techniques for finding out what people think of a company and what they believe to be its core values. However, before carrying out this important research, deep, clear thinking is required. Managers should at least have a hypothesis as to what makes their company different and why people buy from it.

Here are ten questions to ask about your company when determining its core values and features which distinguish it from others.

<table>
<thead>
<tr>
<th>10 QUESTIONS IN THE SEARCH FOR CORE VALUES</th>
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<tbody>
<tr>
<td>1. Knowing what I do about my company, why would I buy its products in a free market?</td>
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<tr>
<td>2. What is it that makes my company different from others against which it competes?</td>
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<tr>
<td>3. When people look around my company, what is it that impresses them?</td>
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<tr>
<td>4. How important is that factor in influencing people to buy from my company?</td>
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<tr>
<td>5. What is the single most important reason why people buy from my company?</td>
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<tr>
<td>6. When people have written us letters of thanks, what is it that has pleased them?</td>
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<tr>
<td>7. How could we differentiate our company by building on these features which delight our customers?</td>
</tr>
<tr>
<td>8. Who would people buy from if they didn't buy from my company? Why?</td>
</tr>
<tr>
<td>9. What are people getting from other suppliers that they don't get from my company?</td>
</tr>
<tr>
<td>10. What could we lift from what other companies do well and do it even better?</td>
</tr>
</tbody>
</table>
Obtaining answers to these questions could, in part, come from sitting on a hill top and considering what makes your company special, speaking to colleagues in your company, but especially, it will come from talking to customers. If this exercise is informal, all the better since an open questioning approach is more likely to be successful in drawing out the real strengths and weaknesses. An attempt to force people's views into boxes at this early stage would imply that the answers have been anticipated and this means there is a danger that some vital ones may have been missed out. And, if the questioning is not wholly scientific, this too does not matter as its purpose is not so much to come up with definitive answers but to arrive at hypotheses which can be set up for testing.

A useful method of keeping a finger on the pulse is to read widely on the market, taking in the publications special to the industry and business journals which provide a context. These provide a feel for the issues of the day. They will, of course, differ from industry to industry, but common themes at the time of writing are:

- managing and reducing costs, possibly by outsourcing
- quality and maybe some ISO standard
- productivity and output per man
- the impact of businesses on the environment
- shorter and shorter time scales for plans of all types
- safety in the work place
- stress in the work place
- empowerment of the workforce and home working
- globalisation/internationalisation of markets
- customer satisfaction and loyalty.

The core values of a company may need to change in the light of these matters of current concern. The British manufacturers of machine tools which were over-specified and made to last fifty years, failed to listen to the changing needs of the market. Instead, rapid advances in technology and requirements for faster pay-back periods were recognised by the Taiwanese who responded by making cheaper but perfectly adequate machine tools capable of lasting 10 to 15 years and bristling with new technology.
Chapter 6 – Stripping Back To The Core Values

Some general pressures which may effect any company and lead to a need to review core values include; what is happening in the wider economy, environmental concerns, legislation (national or from the EU) and employee requirements (including health and safety matters). Figure 6.1 illustrates the working of such pressures.

![Diagram](image)

Fig 6.1 – Pressures On Brands

Qualitative market research

Core values depend on the needs of the market and research in the market is essential to reveal what they are.

It is not enough to rely on self-analysis, as useful as it can be, for forming hypotheses about what the market wants and seeing how closely a company meets these needs with its core values. Customers and other players in the market must be consulted as part of a planned approach. It is not appropriate at this stage to go straight into a large interview programme. It may not be possible to construct the right questions and use appropriate terminology. At the start it is important to obtain an understanding of the fundamental issues and this requires qualitative market research.

Qualitative market research seeks to find out what makes people tick. From a small number of interviews it aims to provide a grasp of the fundamental issues. It will not provide a measurement of these factors but it will ensure that a full comprehension exists of what really matters.
Questioning customers is crucial to finding out the core values of the brand and there is an obvious temptation to employ the salesforce for this task. Certainly, salesmen should learn about their customers through asking questions, but they do not constitute the most dispassionate researchers. They could have reasons for wanting to cover up stories which would make their life harder or, through being persuasive by nature and training, they may not be able to frame their questions in an unbiased fashion. Equally, respondents may feel threatened by answering salesmen's questions, sensing some sort of pressure which could ultimately lead to a compromising situation once the discussion moves away from fact finding and on to selling. Biased questioning and distorted answers, rule out salesmen as market researchers in most situations.

There are occasions when in-house questioning of customers could have a part to play though it would not be entirely related to information gathering. Imagine how you would feel if the chief executive of your bank phoned you and asked you what you thought of his company. Once you got over the shock, you would surely be both impressed by the interest shown in getting things right and you may also take the opportunity to straighten out one or two of the niggles that have been worrying you recently.

There is nothing more powerful to a chief executive than to hear, first hand, what customer think - assuming they are not too coy to be forthright. When the distance between the top man and the customer becomes remote, the company is in danger of going adrift. Feed back to the key decision maker will certainly create action. It is difficult for the chief executive of banks to speak to many customers but it could be well within the scope of the managing director of an industrial company with a hundred or so customers.

Chief executives or other senior managers cannot always carry out their own market research. They certainly should keep close to customers and to talk to them frequently, but formal questioning by non-partisan, professional researchers often is the best way of getting to the fundamentals of a market. Market research companies have the experience and resources to carry out the type of qualitative research that is required to uncover core values.

**Focus groups**

Psycho-therapists tell us that people can sometimes be made to open up and reveal their real views when talking within a group rather than individually. The sharing experience of talking amongst a small number of people encourages self-disclosure. There can sometimes be safety in numbers, more than in a one-to-one situation of respondent and interviewer. The seven, eight or nine people who take part in a focus group provide a cloak and protection. Views, once voiced, may be recognised by someone within the group as not so unusual and generate the confidence to push the bounds of the discussion still further.

Points raised in focus groups can spark ideas. Since there is no compunction to speak and the discussion is spontaneous, respondents can soak up other people's comments and they have the time to develop points which
could be overlooked in a one-to-one interview.

As the discussion proceeds, a warmth of feeling between members can develop and this ‘dynamic’ is a further stimulus to the debate which would not arise in straightforward depth interviewing.

The number of people who take part in a focus group affect respondents’ reactions. Between seven and ten people seems to work best. More than this number and some people begin to feel intimidated; others find it an opportunity to take centre stage and can dominate proceedings. A smaller number of respondents can work but there are fewer opportunities for shared experiences.

### When to use focus groups?

Focus groups are a qualitative technique. This means that they provide insights into a subject but do not offer any quantification of proportions as to how many people think or do something. Sometimes the answer to a problem can come out of focus groups, especially if it is sufficient to know what people think without needing to know how many think what. Group discussions are an ideal environment for answering the questions who, why, what, what if, and how. Of course, they can also answer questions on how much, how often, when, and where but they will not give any more than a feel for the answers. A larger study would be required to ‘count the chimney pots’. Typical questions which focus groups can answer on branding are:

- What comes to mind when you think of this particular company?
- What do you think the company does well?
- What do you think it does badly?
- How do you think that this company could be improved?
- Why do you buy/not buy from this company?
- What could cause you to buy more from this company?
- What are the things that distinguish this company from others in its class?
- What is the personality/soul of this company?
- How do you set about choosing a company for this type of product?
- What would you do if the company you buy from at the moment was not available?
How many focus groups are needed?

Qualitative research relies on the quality of the response not the quantity. It is not a numbers game. The number of focus groups which are required as part of a research programme is that which will answer the question ‘what is going on?’. Sometimes just one focus group will give that answer though with no further corroboration, it is not possible to be sure - the one group could be atypical, a quirk of the people who attended or a result swayed by the strong character of one of the respondents. Two groups could check each other out but might both produce the same misleading result. With three or four groups the coincidence of achieving a consistently wrong result is much reduced and so this is normally the number which many researchers recommend.

Each group is taped and a transcription is made from which the findings are prepared. Pulling out the points from four focus groups could involve working through 50,000 words of speech. More groups would not give any more insights and it would begin to slow the interpretation down by weight of words to analyse.

It is quite possible that there are different groups of respondents whose views need separately addressing. Buyers versus specifiers; companies in one sector compared with another; large companies as opposed to small ones; companies in one region and those in another. Where it is thought that these groups could have views which are significantly different, one from the other, they should be treated as separate samples from the point of view of the research with two, three or possibly four discussion groups carried out with each.

Focus groups with industrial respondents

Recruiting and moderating focus groups with industrial respondents has its differences compared to those with householders. Buyers and specifiers in industry will need to find time in their already busy diaries to attend the focus group. Almost certainly the venue for the focus group will be some distance away and it will be necessary to travel there by car, tube or taxi. It will cost the respondent time and money. The details of why the discussion is being carried out may not be fully known to respondents as the researcher prefers to unfold the subjects in a controlled fashion so that the reactions can be observed. The hurdles of cost, time and a lack of understanding about the purpose of the meeting will be off-putting to most who are asked to attend.
circumstances it is necessary to make contact with 100 to 200 people to get firm promises from around 12 to 16 and know that in the event 8 or 9 people will be sitting round the table at the appointed hour.

And all this assumes an incentive – somewhere between £70 and £100 per person depending on the subject and the audience. The financial incentive is important but the thing that really makes people turn up to a focus group, is the interest which the recruiters can generate in the subject. Where the subject is central to a buyer or specifier's job, it is easier to obtain their cooperation than where it is incidental or the subject is considered trivial.

To suggest that a buyer should turn up at a hotel or some venue where they can be watched by observers who sit behind a viewing mirror, and to discuss what they think of the way companies are branded, may not capture the interest of many industrial buyers. This means that the invitation has to be couched in terms that the respondents can understand. For example, it could be described as a discussion on how companies choose their suppliers and the ways they could improve their service.

The control (or moderation) of the groups needs to be carried out by an expert. Bringing eight or nine people who do not know each other together, putting them at ease and drawing out of them the truth on a subject in just an hour and a half is not as simple as it may look. The professional researcher will make it appear so because that is his/her job.

The discussion will all the time move from the broad to the particular. Most of the talking will be done by the respondents with interjections from the moderator to draw out people who are quiet or to control those who are dominating. The moderator will also steer the group and ensure all aspects of the subject are adequately covered. Guiding the direction of the discussion will be a pre-prepared topic guide which lists the points to raise. The precise questions will be phrased during the discussion itself.

The moderator will listen, perhaps taking the occasional note, relying on the tape and DVD to capture the proceedings. All concentration will be on covering the subject and pursuing avenues of interest which are raised in the discussion.

There are many circumstances in industrial markets when it is difficult if not impossible to recruit eight or nine people to one place for a discussion group. There could be too few people to invite (bearing in mind the requirement to have many more people available to allow for refusals, booked up diaries or lack of interest) or they could be so scattered as to make it impossible in a practical sense, getting them together. This is quite common in industrial markets where there are tens, even hundreds of customers/potential customers but not thousands and where they are distributed around the country or even around the world. In these conditions an online focus group is possible.

The principle behind online focus groups is similar to that behind Internet message boards. Participants are recruited
in the same way as in a conventional focus group and it is explained that they will be required to log on to a web site two or three times over a two day period. They are given a user name and password to access a secure web-site, on which questions about the research topic are ‘posted’. The participants are asked to reply to each question, rather like they would with an online questionnaire.

A key difference with an online focus group from a simple online questionnaire, however, is that every participant sees the responses of all of the other respondents, and is asked to respond to these views as well as to the initial question posed by the researcher. In addition, the researcher inserts questions as the discussion develops, in order to probe areas of particular interest, or to gain further information on new topics that participants introduce to the discussion. In this way, a real-time, dynamic discussion develops between the researcher and the respondents, just as would be the case with a face-to-face focus group.

**Depth interviews**

Depth interviews offer some other advantages which the researcher, looking into branding, may consider important. They allow the interview to take place in private with views untarnished by comment from others. The very thing which gives focus groups their strength in some areas can be a weakness in others, if for example:

- the discussion is personally sensitive perhaps because it involves talking about the inertia in buying or non rational reasons for choosing a supplier

- the buyer doesn't want to talk about prices paid or suppliers used in front of other buyers in the same industry who could use this information to their competitive advantage

- the researcher wants a truly unbiased view on what someone thinks of an advert, a concept, a new product or the like

- it is important to follow one person's methods and approach through a sequence from beginning to end, perhaps as a case history, to see how they do something.

Depth interviews are almost (but not always) carried out face-to-face. Face-to-face interviews are likely to take at least half and hour and most probably twice this length. During this time the respondent has the exclusive opportunity to talk whereas eight people in a focus group would probably only be able to talk for just 10 minutes each. In terms of ‘information grabbing power’, depth interviews work harder than groups though in flushing out the real issues, this need not necessarily be so.

Respondents can be controlled more closely in one-to-one interview situations. For example, it is possible to
show cards featuring company names and ask the respondent to choose those which have similarities (and say why) and separate those which are different (and say why). An answer to these questions could identify the ‘constructs’ or factors which people use to distinguish companies and help the researcher understand more about what causes brand differentiation. Keeping the responses clean in a focus group would be much more difficult as everyone seeks to chip in and have their say.

**Customers as a source of information**

Customers should always be the starting point in stripping back to core values and should certainly be covered in any qualitative research. They offer an immediate source of business since most will be sure to be obtaining equivalent products from competitors. And because they are already buying from the company, they must, by definition, think it worth doing business with. In other words, there has already been a successful selling job done on the customer and an image has been created.

Questions which every company should regularly ask its customers through qualitative research include:

- How does the company rate as a supplier? How could it improve?
- What does it do particularly well?
- And what are its failings?
- Has the company changed recently, showing either any improvements or regressions?
- Setting price aside for the moment, what could the company do to encourage more purchases from it?
- And which of the following issues do you think the company could improve? How could it improve?
  - the quality of its products
  - the design of its products
  - the availability of its products
  - the reliability of its deliveries
  - the packaging of its products
  - the sales service
  - the after sales service and warranty
  - communications with customers.
Potential customers as a source of information

Moving on from customers as research respondents, we turn to the potential customer. New customers breathe new life into a company, feeding it with growth, replacing those existing customers, some who will inevitably move on or go out of business or stop buying because of their own internal changes.

So what then can we find out from potential customers? The most important question we need to be able to answer is “what would win the business?”. In many respects we already know the answer to this question as there are only two ways into the account - either to be lucky enough to be around when the incumbent supplier defaults or to make an offer which is sufficiently attractive to entice the buyer to start buying. That offer is not necessarily price. Research has shown that although buyers are, of course, interested in new competitive deals, there are many other influencing factors besides. There are few buyers of customer relationship management software who would yield to everyone who approached them offering something cheaper since to make a change would involve incredible disruption and cost. There are also understandable suspicions that after the foot is in the door the price may have to be paid of lower service or that prices will be edged higher at an early opportunity.

Innovation is a much surer way of getting the potential customer's attention. New products, things which will mean an improvement to the buyer, almost always kindles interest. The word “new” is still one of the most important words in the marketers' vocabulary.

Persistence too may eventually break the barrier down with a potential customer. So often suppliers retreat at the first or second rebuff whereas it may need constant hammering to persuade the buyer that the interest really is serious. And by constant hammering we mean sometimes 10 or 20 contacts to open the door to new orders.

The feedback from potential customers can appear daunting. Who is this company I have never heard of? I am happy with my existing suppliers who I know well and who I like and trust? Why should I change? Swapping my business from someone I know little about could be hassle? Why should I open up a new supplier when I am trying to reduce the number I am dealing with?

This type of comment could easily cause a supplier to run away, back to his own customers. However, there are always ways of breaking into new accounts but they require an awareness of the buyers' unmet needs.

Here are some questions which could be asked of potential customers:

- What do you know of this company? What does it mean to you? In what ways do you see it positively? In what ways negatively?
Chapter 6 – Stripping Back To The Core Values

- How did you first learn of the company? How long ago was this? What has added to your knowledge of the company over time?

- If you were to advise the company as to the best way of communicating with someone like you, what would you recommend?

- How could the company get its product (or service) on trial at your company? What would this trial involve? How long would it take? What could the company expect if and when the trial is completed successfully?

- Who does the company have to beat to become a principal supplier to your company?

- And setting price aside, what would the company have to do to convince you that its products are worth considering as alternatives?

- Assuming that the new supplier was successful in persuading you that its products offer something worthwhile, how much business could it achieve with your company?

Questions on price are not included in this list but they are certainly valid. For instance, the buyer could be asked `what commercial terms would have to be met to obtain business with your company?’. Equally, this is a subject on which many buyers are taciturn, preferring to await the offer price of the supplier before acknowledging their readiness to pay a particular sum.

Distributors, specifiers and installers

In many markets industrial companies deal directly with final customers; a manufacturer of process plant sells to the companies who use it in their own business and the order is delivered to the customer's factory. However, in other markets a distribution or value chain is in place and the immediate customer is an independent factor or wholesaler. In markets such as construction, independent specifiers also have an important role as may installers. Where these intermediaries are a significant force in a market, their views should certainly be covered in qualitative research to probe brand core values. We will talk further on this subject in a later chapter.

Other interested parties

In addition to customers, potential customers and intermediaries, there could be other constituencies whose views need to be considered in stripping back to the core values. These will vary from business to business but they could include:
politicians (as they influence legislation, spending on government contracts)

journalists (those writing in the trade magazines of the supplier may carry out comparative tests or decide which public relations releases to let through as editorial comment)

academics (who teach students, using examples of companies in their line of business and who carry out research into related fields)

suppliers to the company (as they may have a broad view of what is going on if they are also suppliers to other companies in a like field)

trade associations which may have a bird’s eye view of the industry and may be important in referring potential customers to suppliers who are members.

Summary of chapter 6

Successful planning requires a complete understanding of the core values of a brand. Brand differentiation should be developed on the basis of this approach. The core values may be what makes the brand unique but in other cases something additional is required. However, whatever is selected as the core values of a brand must be a genuine part of the product or service package and not an aspiration. And furthermore, the simpler the core value is to understand, the easier it will be to communicate. It is a healthy discipline to find one word that describes the core value of a company.

Internal analysis is the starting point for understanding core values. However, this approach should be seen as a method of generating hypotheses. Core values are the issues which make customers buy and they can only be really understood by talking to the market. Informal methods can be effective but often professional market research should be considered.

The type of market research required to strip back to the core values is likely to be qualitative as this provides an understanding of the subtleties of what could differentiate a company or a brand from another. Appropriate techniques are focus groups and depth interviewing. Small samples are usually sufficient - eg four groups to research a market although more may be required to analyse different markets or sectors. Respondents for qualitative brand research include customers and potential customers. In some industrial markets distribution chains and independent specifiers/installers may also have to be covered in the research.
Why measure brands?

The previous chapter discussed the importance of a brand's values and how to identify these through qualitative research – such as group discussions and depth interviewing. Brand values were also broadly put into two groups; core values and others, including those aspects of a brand, which, although apparently trivial, are the very features which differentiate one brand from another. Having identified brand values, is this enough?

Understanding brand values may be fascinating but knowledge for its own sake is not the stuff of business. Managers of brands seek understanding for very practical reasons - to take effective action and whatever action is considered in relation to a brand, measurement may form an essential part of the necessary prior analysis.

Brands exist in a business world which is constantly changing. Nothing stands still and to just leave a brand without planning its future is a recipe for eventual decline. Consider the broad strategies which can be applied in planning any brand:

**Strengthen or build the brand.** This will lead in turn to higher sales of the products under the brand umbrella and hopefully higher profits - either through maintaining current margins or improving them and the latter can be very much tied up with brand strength - a strong brand can command a premium price for one thing. Building a brand may be from an initial base of strength (eg a brand with a history of recent growth, or a brand leader) or the opposite - brand strategy may be focused on reviving a flagging brand.

**Protecting a brand.** Building a brand can be thought of as dynamic or attacking strategy but the defence of a brand cannot be ignored. Virtually all brands exist in a competitive market and must fight to at least hold their position against competitors. The need for this will be on-going.

**Extending a brand.** If a brand is an umbrella over the product range, there is the option of bringing in other
products to market under the established name. In other words brand extension. There are many successful examples of this strategy but it can be high risk. Get it wrong and not only may the extensions falter but the whole brand may be de-valued.

Each of these strategies is concerned with the manipulation of brand values. The type of research discussed in the previous chapter can identify these values but this may not be enough to provide a basis for action. Many decisions also require us to measure these values in some way and only with quantification can sensible decisions be made. For example an advertising campaign may be a tactic to either build or defend a brand of industrial packaging materials. Qualitative research may have identified that the core values of the brand are consistent quality, innovatory products and cost effective solutions to packaging problems. Which of these should be featured in the advertising and if all, in what order of importance? The decision will rest on a quantification of these values - how important are they relative to each other? Action necessitates measurement.

Various elements of the brand can be measured depending on what has to be decided. Some common measures include:

**Awareness.** How well known is the brand? Both in the sense of the proportion of the target audience aware of the name and those having some depth of knowledge about it and the products marketed under the brand.

**The relative importance of the brand values.** If a brand is a bundle of attributes or values how important is each; either relative to each other or to the comparable values of competing brands?

**Changing brand values.** Brands, or at least successful brands have a long life but their values may change. Another type of measure for strategic planning is, therefore, plotting changes in a brand's values over time.

**Brand strengths and weaknesses.** Perceptions of a brand can be either positive or negative and qualitative research can identify both sorts of values. In successful brands the positive values clearly outweigh the negative but even the best of brands may have some downside. The need is to quantify values on some sort of evaluative scale.

So far we have referred vaguely to measuring brand values as though they are physical and tangible entities. Obviously they are not of this nature. We cannot pick a brand up and measure its values with instruments. In what sense do brands values exist? This is not a book of metaphysics and it is enough to assume that the values exist solely in the eye (or mind) of the beholder - customers and others in the marketplace. Brand measurement, therefore, is concerned with assessing the awareness, perceptions and image of brands.
What to measure

In discussing why measurement is needed we have touched on what can measured. We now develop this subject.

Awareness

Awareness is a fundamental brand measure and is required in most strategies. Whatever values a successful brand must have, it has to be known in its marketplace. Sometimes this obvious point can be overlooked. To build a brand the primary requirement may be just to make it better known and marketing should focus on this rather than changing perceptions of the brand. Much advertising is wasted because this very simple point is missed.

Awareness can be thought of as existing at different levels amongst the marketplace. Firstly there is simple awareness of the brand name, secondly factual knowledge about the brand and lastly usage or familiarity.

Simple name awareness means that the name is known whether or not there is a clear understanding of what is covered by the brand. Such awareness is commonly measured in two ways - unprompted and prompted awareness (the sum of the two is sometimes referred to as total awareness). The simplest measure of unprompted awareness is the answer to an open ended question such as:

Which brands can you think of?

Unprompted measures of awareness are invariably set in some context such as the awareness levels of other companies in a similar field. For example:

Which brands of building materials can you think of?

or

Which brands of surface finishing materials can you think of?

Such unprompted measures of brand awareness are important; a brand mentioned in a survey by say 50% of the marketplace may have no real problem in awareness, particularly if the next best known brand is some way behind. However, often no single brand is particularly well known in unprompted questioning and this reflects problems of recall. This leads us to another type of simple awareness measure: prompted recall. Care needs to be applied in measuring prompted recall as it would be easy to produce flattering but misleading results. For example, if I ask:
Are you familiar with Cape as a brand of building materials?

a positive response is almost demanded as the respondent does not wish to appear unfamiliar with a possibly famous name in his or her market. There is therefore an over-claiming of the name. Moreover, if in response to such a question, 85% appear to know the Cape name, what does this mean? Is awareness high or not? The preferred method of measuring prompted awareness is instead to show (or read out) a list of brand names and ask which are familiar. The very order which the names are presented could cause bias and so this is overcome by changing, between each interview, the sequence of names on the list. Even with this method there will be an element of over-claiming and the "true" level of awareness will lie somewhere between the unprompted and prompted levels assuming (as is normal) both measures are used. Sometimes a technique is used to estimate the level of the agreement factor (eg by including a bogus brand name and deflating all brand awareness levels in proportion to the claiming for this name) but generally the main interest in unprompted awareness is the position of "our" brand relative to others.

Beyond the simple awareness of the brand name are measures of the level of knowledge about the brand. Respondents may have heard of a name but really have little or no conception of what is included under the brand name. Typically this higher level awareness is measured in the context either of fairly specific product classifications (eg brands of engineering bricks) or market sectors (eg awareness of the Rolls Royce brand outside the aerospace industry). In either case differential awareness of the brand may indicate where marketing efforts should be concentrated. Questioning techniques can be the same as for simple name awareness (eg asking which brands of engineering bricks are known or prompting with a list of relevant brands) or it may take the form of focusing on the brand name of interest and establishing product or market associations eg:

What products do you link with the name Rolls Royce?

The third level of awareness measure is familiarity and usage. This can cover proportions of people who have actually purchased the brand within some time scale and how many have actually used it. These are valid measures in planning a brand strategy even though, paradoxically, they concern the outcome of a brand's strength and are not diagnostic in showing how to improve it.

Finally, in this context, it is worth stressing that valid brand measurements can be carried out amongst groups who have never bought or used the brand. Some find this idea puzzling - why are the opinions of those with no direct experience of any value? If I have never used a Siemens phone, how can I have a rational view of the brand? The significant point is that perceptions of brand values may well not be rational. Indeed many of the values surrounding a brand may exist outside rationality (eg values such as "warmth" and "heritage") but yet they influence behaviour.
Relative importance of brand values

A brand is made up of a bundle of values; some are core values and others are more peripheral. Qualitative research will identify what these values are but to plan a brand strategy we usually need to establish the relative importance of these values. How important is each, particularly in the buying decision? There are various techniques used in market research to achieve this sort of quantification and to some extent it is an area where fashions come and go.

The simplest method is just to present a list of the values and ask the respondent to put them in order of importance. Order bias can again be overcome by list rotation between interviews. Though crude, this approach may be effective in some cases; eg where the list of values is short and where opinions on the importance of the values are strongly held but how can you know this in advance?). Another approach is to have respondents rate rather than rank each factor. The rating is applied through administrating either a semantic or numerical scale eg:

**Semantic Scale**

*Thinking now about Cape as a brand of building materials. Would you say that consistency of quality is:*  
very important/fairly important/neither important or unimportant/not very important/not important at all?

or

**Numerical Scale**

*Thinking now about Cape as a brand of building materials. What score of importance would you give to consistency of quality. Please give a score from 1 to 10 where 1 is completely unimportant and 10 is absolutely essential.*

There are many variations of such scaling techniques in use including a larger or smaller number of scale "points". Using such scales will certainly sort values into at least broad groups of importance but tend to fall down in differentiating the core values - all come out with similarly high scores and we are still uncertain how to manipulate the values in any brand strategy.

A more sophisticated approach is to use trade-off models or conjoint analysis. Using these tools, an attempt is made to mirror real choices made in the market place. These tools work well when we really do think about the different parts of the products or services we buy. The techniques replicates choices between bundles of values (the brand values) and then uses statistical analysis to de-construct and quantify the weight of each value in the decision.
The strengths and weaknesses of brands

Brands are not only bundles of values, each is perceived by the marketplace positively or negatively. The innovation element in the brand bundle for example may be seen very positively but reliability of supply may be negatively rated. This type of brand measurement is important diagnostically. The strong values of the brand can be built on but any negatives may point to an urgent need for remedial action. Brand research of this type is pretty well "image" research under another name.

Strengths and weaknesses of brands are generally established through research using scalar questions of the type mentioned above. Respondents in a survey are presented with a list of brand values - anything up to a couple of pages in length - and asked to rate the brand on either an evaluative semantic scale (eg excellent, very good, fairly good, neither good nor poor, fairly poor, etc, etc) or a numerical scale (eg a scale of 1 to 10 where 10 is excellent and 1 is completely unacceptable). The brand can then be described in terms of evaluative scores (often using one "mean score" which summarises the distribution of scores along the scale). Areas of overall strength and weaknesses are then apparent and remedial action can be planned or strengths developed.

Even greater value can be obtained by combining an analysis of the importance of the brand values with their evaluative ratings. It may well be that the brand is very strong in relation to innovation but is this important? It may be pointless to build a strategy on a brand value which has very low importance in the marketplace. It is helpful to analyse the brand values on an X Y graph plotting the importance of each brand value on one axis and the strength of the different brand values on the other. Figure 7.1 is an example.

![Fig 7.1 – Plotting brand values](image)
Until this point in our discussion of measuring brand strengths and weaknesses, it has been assumed that only one brand is covered. In this case interpretation of the results of the measures can be difficult or unrealistic. If a brand has a score of 3.9 (out of 5) for friendly service, what does this mean? Is this good or bad? Generally interpretation requires comparison. Comparison of the scores on each brand value is one approach. For example, if all the other brand values have scores of 4.5 and over we can conclude that the 3.9 score on friendly service is at least low relative to the other brand values and this may suggest attention in this area. Researchers know from experience what is normal in these measurements and tend to look at the scores in a typical corridor of acceptability. For example, their experience (eg gained through brand research across markets) may indicate that scores above 4.5 indicate excellence, 4 to 4.5 is good, 3.5 to 4 is about acceptable but below 3.5 indicates real weaknesses.

To some extent, however, such measurement and interpretation of the values of just one brand is artificial. Brands do not exist in isolation but compete and, therefore, the realistic measurement of the strengths and weaknesses of brand values should involve brand comparisons. Brand measurement research, in this case, therefore, involves the evaluation of each brand value for a number of brands in turn. Figure 7.2 illustrates this with a comparison of three brands and five brand values. The relative standing of each brand is apparent and we can plan a strategy to improve the position of our own brand.

![Figure 7.2 – Comparison of brands and their values](chart)

Brand comparison of this sort can also be combined with the measurement of the relative importance of the brand values in the market place - in the chart above the importance of the brand values is shown on the left (and the brand values are in descending order of importance).
A practical concern in this type of research is which brand value and which brands to include. The brand values should be drawn from a list of the those identified through qualitative research but to keep the length of the interview reasonably short, some pruning may be necessary (remember that the respondent has to give a separate rating for the number of the brand values and for every brand that is rated).

Similar pruning of the brand list may also be called for. Usually the brands which are compared are the most active or serious competitors and sometimes they include other "benchmarks", such as brand leaders in comparable markets. This can be useful where it is thought that brands in other sectors are strong on service (or some other value) and this factor is crucial to brand planning.

**Positioning brands**

The data produced from measuring the strengths and weaknesses of several brands can be analysed to produce brand maps which pinpoint the positioning of brands in terms of their values. This enables brand similarities and differentiation to be identified and used in strategic brand development planning.

Brand mapping is carried out with special statistical analysis packages which effectively plot each brand in multi-space with the brand values as the dimensions. The output can be difficult to understand; it is not easy for most of us to think in multi-dimensions and three dimensions is the limit of true graphic representation. The analysis output is usually represented in a two dimension chart as below but it has to be understood that the position of each brand is determined not by the apparent two dimensions but by many and that the distance between the brands is determined by all the brand values. This type of map does, however, highlight brand differentiation.

![Brand Map](image)
As well as producing brand maps, this analysis also generates descriptions of each brand in terms of brand value "scores". Having, therefore, identified the degree of difference of brands you can use the descriptions to understand how they differ. The descriptions of brands A and C shown in the above chart, are provided below. In this case the brand values are quantified simply as above average - compared to all brands (+), average (0) and below average (-).

### Comparison Of Two Brands From A Brand Map

<table>
<thead>
<tr>
<th></th>
<th>Brand A</th>
<th>Brand B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>Value for money</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Innovative</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>Available</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Proximity</td>
<td>0</td>
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</tr>
</tbody>
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### Measuring across time

Brand values of one or several brands can be tracked over time to show whether they are changing and this type of monitoring can be a valuable tool in managing a brand. It can be used to warn of a deteriorating position as well as providing an evaluative measure of marketing activities. The methods of research involved are in principle the same as previously described except that the research is repeated at appropriate intervals. What an appropriate interval is, depends on the age of the brand. In the case of a long established brand, annual measurement may be adequate, whilst for a new brand the values may need plotting several times a year. The brand coverage can be restricted to the one brand or extended to include competitor brands; the latter approach involves higher (but not that much higher) research costs.

Tracking research such as this involves some important issues in research design since it is essential that any variations in brand values can be reasonably assumed to be real and not simply effects of research variation. In particular samples must be strictly comparable. Any brand manager buying this type of research should understand these issues and resolve them with the research provider.

### Who to measure

As we have already discussed, brand values are no more nor no less than perceptions. An important issue in brand measurement is, therefore, whose perceptions are relevant? There is no simple answer; it depends on what you plan to do with the measurements.

The attitudes of present customers are clearly vital in any measurement of brands since it is their actions which will determine the brand's survival in at least the short term. If the purpose of measuring the brand is related to
a defensive strategy it may be enough to limit research to customers; in the short term, survival is almost certainly going to depend on holding on to existing customers. One reason for this is that in many industrial markets the sales gestation period is too long for potential customers to be brought on board quickly.

By contrast, long term development of a brand often depends on attracting new customers and in this case brand measurement amongst potential customers as well as customers is required. Often potential customers will be actual customers of other brands. As previously mentioned, it should not be assumed that potential customers, without experience of the products within the brand, have no perceptions of the brand; possibly it is negative perceptions which inhibit them becoming customers. There is also a sub-group of potential customers whose perceptions may be particularly relevant to brand planning; lost or lapsed customers - those who in the past bought the brand but now no longer do so.

Identifying customers may be easily carried out from sales records (although more on this issue shortly) but the task may be much harder in the case of potential customers. Lists of possible users of the products may be available from directories and similar, but often screening is necessary to finally identify real potential customers.

Beyond the circle of potential customers is the rather vaguer region of opinion formers. This is a heterogeneous group including such as trade journalists, regulators and possibly government and even suppliers of materials used in the products within the brand. The attitudes of these groups may have an effect on the long term development of the brand or occasionally in a short term crisis (eg some environmental disaster that in some way involves the brand or threatened and adverse legislation).

We have so far implied that "customers" are a self-evident group and in many industrial markets (eg most capital equipment) this is so - products are supplied directly. Customers in these circumstances are obvious and lists of them are likely to be readily available. However, in other markets the structure is rather more complicated. In the semiconductor industry, for example, a huge volume of products are sold through a distribution network (possibly with more than one level) and the perceptions of the stockists, dealers or wholesalers may be as important to a brand's future as the perceptions of the final and indirect customers. It is possible for a brand to be well regarded by final customers but to suffer through a history of problems in the distribution chain. However strong, a brand will not sell if distributors do not stock it. In markets served by distribution networks, therefore, brand measurement is often required through all levels of the chain.

The construction industry is an example of a value chain with some complexity. Specifiers such as architects may have as much or more influence on the brands bought as the construction companies actually placing the orders. Moreover, specifiers may well see brands in a rather different way to the buyers; innovation in design may for example be far more important. Possible further complications in customer definition in the construction industry is introduced by sub-contractors and installers (eg of heating systems) who also may both
influence the purchase decision and see brands from a different perspective. Finally there is the final user of the products (e.g. the tenant of an office block) and in the construction industry (and in most industrial markets) this group is quite distinct from distributors, specifiers or buyers. In the longer term the attitudes of users may well shape the future growth of the brand and their inclusion in brand research should at least be considered.

Since, like beauty, brand values lie only in the eyes (or minds) of beholders, it follows that to speak of brand values as a unitary measure is misleading. Within a market place one brand may be regarded quite differently by the various sub-groups involved. These may be customers compared to potential customers or specifiers compared to buyers or distributors. Even single classifications such as specifiers can be further broken down into various segments - by size of practice, practice specialisation etc. Understanding variations in brand values between such groups can increase the power of managers to steer their brands. Marketing effort may for example be concentrated in a sector where attitudes to the brand are below average. Alternatively, as a matter of policy, it may be decided to foster different brand values amongst different groups to meet their varied needs. In either case brand measurement should involve research amongst the various critical sub-groups.

Another aspect of who should be measured in brand research is sampling. Except in some specialised industrial markets where the customer base is very small, it is neither practical nor desirable to research all units making up the market. Instead samples are researched. Sampling is based on statistical theory although in many industrial markets this must be tempered with what is practical. This book is not the place to cover either the theory or practice of sampling - there are many specialised sources to consult. However, some particular issues to consider and which a brand manager should discuss with the research supplier include the following:

**Sample size.** Accuracy of the data from a sample is largely linked to sample size with acceptable quantification requiring minimum samples. This is quite commonly understood in at least a vague way but less widely appreciated is that the critical minimum size applies equally at the sub-group level. If for example, brand measurements are to be compared between sectors of customers, the sample size of each sector must be sufficiently large to produce valid data. In markets with comparatively large "universes" the critical sample size will certainly be 100+ and research involving quantitative comparisons of sub-samples of 10, 20 or 30 is probably quite worthless. The position, however, be different in industrial markets made up of small numbers of players since, in this case, apparently small sub-samples may in fact represent a high proportion of the sector.

**Sample stratification.** In industrial markets, purchasing units are not equal. BT has a vastly larger spend on electronic components than the Acme Telephone Company. Sampling for brand measurement, or in any other industrial market research, must take this into account by stratifying the sample with the inclusion of sub-sets of different sized companies in the marketplace.

**Unbiased samples.** Research is based on randomised samples even where the sample is not strictly random.
Random has a specific meaning and does not just mean interviewing the first fifty companies on a list (especially if the list is in size order). A practical problem can often arise in preparing a sample of current customers. The list from which the sample is drawn may need "cleaning" to take out duplicates, check addresses etc but the sales department must not be allowed to take out their problem customers. Such customers undoubtedly have a perspective which must be included in brand measurement.

Managing the research

The type of research work involved in the quantitative measurement of brands is almost always outside the capabilities of an in-house research team let alone a do-it-yourself exercise by the brand manager. The only exception might be a specialised industrial market with only a handful of players. For this reason and because the topic is too large, this book cannot attempt to provide detailed guidance on the carrying out the research - there are many excellent practical books on market research. We, therefore, assume that brand measurement research will be commissioned from a market research agency with some experience in this area. The brand manager must, however, at least brief the research agency and agree some aspects of the project. The following are important areas to think about.

Aim of the research. Be quite clear and specific what you want to achieve from the research and make sure the research agency understands this need. In turn expect the agency to succinctly define the research objective in its proposals.

Budget. Sometimes this is easier said than done, but you should have set a budget for the research by the time you brief the agency (or agencies if you are seeking competitive quotes). On the whole it is better to give the agency at least a ballpark of what you are willing to spend. It wastes everyone's time if the agency designs a £50,000 project but you cannot spend more than £10,000.

Information coverage. You should know in advance and in quite specific detail the scope of the information to be provided through the research eg awareness measures and brand value perceptions for a defined number of brands. The final specification is likely to be a joint effort of both the agency and yourself. Again it should be laid out in the proposal.

Sampling. The marketplace to be researched and its sectors should be defined and the sample sizes specified appropriately. The minimum level at which reliable quantified data is to be provided should be clearly understood by both parties. The agency should have the expertise to recommend sample sizes but be prepared to ask for a rationale. The practicalities of how the sample is to be drawn should also be specified in the proposal. Make sure you are clear about what you are expected to do in this respect.

Interviewing method. All established interviewing methods can be considered for brand measurement.
research. Face-to-face interviewing can be horrendously expensive. Phone interviewing is well established though lots of scoring on attitude scales can be tedious. Self-completion and e-surveys are very effective in this sort of research but there is always the worry of bias from a high proportion of non-response. A combination of phone and e-survey can sometimes maximise the advantages and overcome the difficulties of both methods. Whatever, method is used, a well designed and structured questionnaire is essential and you should agree it before fieldwork starts - it is too late afterwards.

**Data analysis.** The agency should describe any special analysis techniques they intend to use such as trade-off or conjoint analysis and brand mapping. Even if your understanding of the techniques is slight, you should feel confident of the agencies abilities; just having the software and pressing the buttons is not enough.

**Output.** Decide in what form you want output from the agency; print-outs of the statistical analyses only, interpretation of data or a full blown report with conclusions and recommendations. Sometimes the latter can be a waste of money - the researchers may be very competent technically but lack either the ability or experience to recommend a strategy.

**And what does it all mean**

Developing the previous point, it must always be remembered that brand measurement is a means to an end and not an end in itself. Complex research should not be carried out simply to push back the frontiers of knowledge. It must make a practical contribution to decision making. This incidentally is an argument against over-sophisticated research; if you do not understand it you are unlikely to use the resulting data effectively. The rest of this book is about how to positively plan and develop brands and the role brand measurement has in this will hopefully be clear. However, there are two general issues worth discussing here; the problem of perception and reality and the halo effect.

The problem of perception and reality can be illustrated in relation to brands of printers. Research shows that a negative brand value for all brands is customer support – printers are thought to breakdown too often and to be fixed too slowly or cannot be fixed at all (for any sensible price). This is the perception and it effects purchasers in relation to all brands of printers. But there is a real opportunity here. If a brand can be manipulated so that customer support is seen to be a positive value then the potential for growth will be considerable. What, however, lies behind the perception? What is needed is an honest analysis to establish actual performance levels in relation to customer support. If a truthful analysis indicates that service is indeed poor then some real changes will be needed before anything else can be considered. Massaging the image is simply not enough. But what in the opposite case? If the printer company has a fantastic “free ship and return” policy which is little known and understood, there could be an obvious action to change the perception; perhaps with advertising focusing on the issue and communicating a critical positive brand value - the very best level of
The problem of the perceptions lagging the reality as in the case of printers, is not uncommon. Possibly it is a hangover from times when printers were notoriously unreliable - it is an inertia factor. The halo effect is in some ways similar. A successful brand may rest on a few but very important core values which are perceived very positively by the marketplace. However, in research the brand may appear highly positive in all respects despite objectively identified problems in some areas. This is the halo effect and the danger is that deficiencies will be masked and not acted upon. This may not matter - after all the problems are apparently forgiven in the marketplace. However, resentment may grow, imperceptibly at first, but then like a weak pipe, burst open and lead to a rapid de-valuing of the brand.

There is also the opposite to the halo effect; call it demonisation. In this case, some critical core brand values are perceived very negatively and research shows that the brand is poorly rated on all brand values and even where objectively the opposite is the case. Monopolist suppliers and large companies can suffer from this as their power generates a sense of resentment amongst some customers, even though their service is not as poor as is warranted. A more detailed discussion on retrieving flagging and negative brands is covered in a later chapter.

**Summary of chapter 7**

Strategies for brands include strengthening and building them, protecting against competitors and extending brands to cover additional products and businesses. Decisions in these and other areas often require measurement - where does a brand stand now and over time and how does it compare with competitors' brands?

Relevant brand measures include:

**Awareness.** How well known is the brand compared with others in the market? Measurement covers both unprompted and prompted awareness.

**Importance of brand values.** Which of a brand's values are the most important? Which is second etc? Methods of measuring including ranking, against a scale of importance and sophisticated techniques such as trade off analysis.

**Strengths and weaknesses of a brand.** This includes comparing brand values with each other, against an established normative standard or against competitors. Relative measurement is usually the most effective. Brands can also be "mapped" to understand how, quantitatively, they differ from each other.

Brand measurement involves researching and quantifying perceptions of a brand amongst its market. Relevant groups to research are as for qualitative research - customers, potential customers and others including, if relevant, the distribution network and independent specifiers.
The requirements of brand measurement are such that in nearly all cases a professional research agency should be briefed and commissioned to carry out the work. The outcome must be interpreted with care, including the distinction between perceptions and objective facts. The effect of brand halos and the opposite must be considered.
BUILDING INDUSTRIAL BRANDS
Launching brands

In consumer markets, the cost of launching a new brand can run to millions of pounds depending on the nature of the market. An entrepreneur setting up in business may have just one or two customers and the issue of branding is not given consideration, even if the entrepreneur is marketing orientated. A new company needs sales and the emphasis is on getting work in, not thinking about the future implications of the name of the company and the possibility that at some distant date it may want to use its name in 30 countries around the world.

Setting up a business is, effectively, setting up a new brand. Branding is likely to be only a small fraction of the total start-up costs. The essential promotions may be there but how much more will there be beyond a sign on the door, business cards, letterhead and possibly a website and mailing pieces. The logo may well be done on the cheap by someone with limited talent. Frugality is a virtue but skimping on branding design is definitely a case of spoiling the ship for a halfpenny's worth of tar.

As well as brands which encompass the whole company, there are brands which cover just part of the product range. In these cases the company markets itself through several such brand names with the company name kept discrete or used as the brand name for one product range only or endorsed in that the company name is linked into the individual brand names such as Ford with its Focus or Fiesta. Where an existing business decides to market part of its product range under a new and distinct name, there is, by definition, some conscious effort at brand building. Even in these cases, however, branding is often superficial and may amount to no more than choosing a name and using it in a poorly coordinated way.
The basics of brand building are much the same for both a new company/brand and a new brand for an established company. Therefore, for convenience, we will, in this chapter, concentrate on the former and discuss brand building largely in the context of a company start-up.

**Planning a brand**

Planning the brand should be given, in a start-up, at least as much attention as other elements of the new business; it should form a key part of the overall marketing plan for the business and ultimately be an element in the whole business plan. Brand planning includes the following:

- Explicitly recognising the aims of the brand.
- Developing brand values.
- Selecting a brand name and its visual representation.
- Brand promotion.
- Internal branding.
- Building brands with service.

The first three of these subjects are discussed in this chapter whilst the others are covered later.

Like any other business activity, brand building entails costs. Quite apart from management time, these include costs associated with selecting and perhaps testing the brand name, visual design work and promotion costs. These should be considered and a budget allocated at an early stage and form part of the financial plan for the new company. Promotion will probably represent the largest slice of this budget and it may be decided that some promotion will be specifically for brand building. However, more often brand building will be only one aim of promotion (the need to stimulate orders or enquiries may well have at least as high a priority). The costs of this part of brand building are shared in meeting other objectives and may be so closely inter-twinned that any separation is only nominal.

The same may be true for other costs of brand building and this leads to an important general point which should be understood at the outset. In practice many brand building activities are just an aspect of the day to day running or strategic planning of a business. The salesforce, for example, are not told to spend a day a week on brand building. However, the salesforce in all their work have an effect on the brand, positive or negative, and it is important that this is recognised and understood. To say, therefore, that brand building is separate is not to diminish its importance. Thinking through the issues of branding as a distinct aspect of all marketing activities is well worth while and only by doing so will an industrial company gain the real benefits of branding.
Aims of branding

The ultimate aim of branding in all businesses is the same - to increase profitable business. This is achieved through:

- **Creating a focus for awareness of the company and its products in the marketplace.** Obviously, the better known a company and its products, the greater the chance of customers buying them.

- **Differentiating the company and its products from competitors.** Only if it is perceived as different and in some sense special, will brand loyalty or brand franchise be built. Once in place, though, this becomes a valuable asset whether or not it is formally recognised on the balance sheet. This differentiation aspect of branding is particularly valuable for products which, by their nature, are much the same as competitors’ - taken to the ultimate, product differentiation is brand differentiation (eg electric cable and caustic soda and bottled water are all produced a similar standard) which means that any differences are likely to be based solely on the brand, or service or perceptions about the quality.

- **Stimulating positive perceptions and expectations in the marketplace, for the company's products and service.** This is arguably only another facet of brand differentiation. The brand and the products under the brand are differentiated because they are perceived to have positive values and there is an expectation of the products' excellence (or the service quality) before any experience of it - you may never have bought a Dell notebook but you most probably will have some expectation of what it will be like.

- **Adding value to products and services.** This may be in the literal sense or more subtle. Because of positive perceptions and expectations about the excellence of the product, the buyer may well be willing to pay some premium which comes back in extra profits. Even if a true premium price cannot be charged, the brand enhances the "worth" of the product in the buyer's mind and purchase becomes more likely.

Taken together, these all work to increase the chances of potential customers buying a company's products and services, and once having bought, becoming regular customers. This comes back to increasing the profitability of the business; which must be the overall aim of any brand. In planning a new brand, this overall aim should always be kept in mind and any branding activity considered can be mentally measured against this yardstick.

Brands exist in relation to a marketplace and only in the consciousness of buyers in that marketplace. Part of thinking about the aims of branding, is, therefore, defining the marketplace involved. Only by understanding what the market is and what it wants can brand planning decisions (eg brand values, promotion strategy and tactics) be sensibly made. Ideally, this should involve formal market research to define the boundaries of the
The Power Of Industrial Brands

market, delineate and measure its segments or niches and above all understand buyers’ needs and the extent to which existing suppliers meet these needs. Where there are un-met needs, it may leave a gap for a new brand to fill. This is the key criteria that the dragons are looking for in the Dragon’s Den and it is worrying to see how few entrepreneurs really address this issue.

If the start-up budget is sufficient market research should be commissioned at an early stage. However, the costs of high quality research of this sort (and poor quality research can be worse than none) are likely to be substantial - five figures upwards - and in practice well beyond the affordability of most small business to business start-ups. In this case the managers' experience and knowledge must serve instead and need not in practice be inferior to formal research. Indeed many successful brands and businesses have been built on hunches although more have failed because the assumptions made about the marketplace and buyers' needs turned out to be just wrong because they confined their questioning to the cosy world of their friends and their family.

**Developing brand values**

Any brand will acquire values whether these are planned or not and these values should be in some way controlled in a positive way. Furthermore, it is difficult to use branding effectively without some explicit definition of brand values - how can you promote a brand without deciding what it is that you are promoting. Deciding on what the values are, therefore, is an essential part of brand planning and should be regarded as seriously as product planning. After all, who would enter a market uncertain of what products to offer?

One major advantage in launching a completely new brand compared to reviving a flagging brand is that there is a clean slate and no negative values acquired through the mistakes and accidents of history. In many respects it is easier to create a new brand with planned values than correct any negative perceptions of one that is long established.

Earlier in the book we discussed the core values of a brand and it is these which should be of initial concern. What is it about our brand which should lie at its heart? These could be almost anything but the brand will only succeed if there is a good "fit" with buyers’ needs and particularly the "drop dead important issues” mentioned earlier of price, quality and delivery. However, this leads to an obvious difficulty. An important aim of branding is differentiation. We want our brand to stand out from the crowd. But if buyers' key concerns are a limited number of key issues which all suppliers understand, how can we find values for our brand that not only match these core needs but at the same time define it as a differentiated brand?

There are two ways forward from this impasse. The core values can be expressed in a specific and unique way - or the differentiation can be achieved minor, but interesting issues.
To consider the first approach of expressing universal core values uniquely, let us take quality. Most suppliers to a market will emphasise the quality of their offering but often the communication of this value is left as just a repetition of the term. In order to use quality as a differentiator it needs to be expressed differently and this can be done by defining the value in some way which indicates how quality will be achieved. This might be through bringing in concepts such as control, assurance, excellence, the linkage to people and their skills, attention to detail and so on. This core value is now, therefore, expanded and hopefully in an unique way. Moreover, making the value more concrete will lead into how it can be effectively communicated - for example quality as excellence might be represented by featuring the personal achievements of the company's staff and not necessarily in relation to the business of the company. Focusing on the clunk made by the car door as it is closing may reassure the prospective customer that the rest of the car has been put together in a solid way.

The alternative approach to achieving differentiation is to accept that this cannot realistically be achieved through core values addressing the really major concerns of buyers and instead concentrate on some other, and in isolation lesser, values. This often matches the way buying decisions are made. A few suppliers are known to meet all the "drop dead important" issues and the choice is down to some seemingly quite small difference - a more friendly company, a company that just puts itself out that little bit more and so on. Selecting such a differentiating value and featuring it in brand promotion, can be the basis of a successful branding strategy. However, in this case, it should not be forgotten, that this differentiating value is on top of and not instead of those core values which match up to the really key concerns of the market - it is no good being seen as a friendly company which offers poor quality and late delivery.

Whichever approach is taken, the core brand values should be formally stated for at least internal use, so that other aspects of brand planning can be linked into these values. However, whilst real thought should go into these definitions, we are not talking about mere copywriting and the clever use of words. Effective communication of the values comes later but is built on an agreed definition of what they are, regardless of whether elegantly expressed or not. Write down the values and ensure there is a common understanding of them in the management team before thinking about how they are to be expressed outside this group - in the marketplace or in even within the company.

The statement of values should be relatively short - a few lines and not a few pages. Only with such brevity can subsequent planning be focused. Also where the values have more than two or three elements, some sort of priority should be set - which is overriding, which comes second etc.

Such a statement of values is the end product of this part of the brand planning. How to get to this point? Essentially we are talking about creative thought and the conditions which stimulate it. This may well be achieved through "brainstorming" sessions of the management team, possibly including outsiders such as any researchers concerned with an initial market definition study. In any case, the starting point should be the discussion of and agreement about the nature of the market before moving on to developing brand values to
match.

Research can also have a role at this initial stage of brand planning. Qualitative market research can at least probe and help in the understanding of buyers' motivations and may point to the core values which should be built into the brand. Also, a similar research approach can test whether the brand values actually match up to the needs of the market place. The research methods for this sort of work are as discussed in chapter 6 - group discussions or individual depth interviews. Such work might be considered as a project for an in-house team but will generally be better done by an independent agency - budget allowing. In practice, for many industrial market start-ups, market research is out of the question for financial reasons. The only alternative we can recommend is to encourage critical review of the proposed approach to brand values and preferably by someone independent of the creative work – it is healthy and possibly humbling to have high-blown ideas brought down to earth. Better this to happen at an early stage than as a later and expensive casualty in the market place.

The importance of a brand name

Arguably, there are some names that have an intrinsic value quite independent of the associations built up through promotion and trading under the name but it is a matter of uncertainty which these are. Consider some really major industrial brands - eg Shell, Tarmac, Dell - has the name as such contributed to the position of these brands? If Shell had been named Husk, would the company and its businesses be now smaller or larger or otherwise significantly different? Probably not. If Shell now changed to Husk the effect could be dramatic but this reflects that over the years, awareness and perceptions of the Shell brand has become a major part of the company.

So does it matter what a company calls itself? Rentokil is about as bad a name as you could devise for a company with a prominent position in the health care market. At the time of formation the name may have invoked real purpose as an exterminator of vermin. And, since this was well before the time of terrorism, there
was no adverse association that led people to believe it was a bunch of assassins for hire. Today, the company name is bandied around without unravelling the cryptic meaning each time it is used. The high levels of recall and reputation are more than adequate compensation for any possible weaknesses in the name.

In the early 1970s the Dutch commercial vehicle manufacturer, DAF, entered the UK market with a name which had more affiliation with words like daft and daffodils than with macho, heavy truck. It also had a cross to bear in being linked with the small Daf automatic car with its unique belt drive and an association as a Bournemouth bath-chair. The company succeeded despite its name because what really mattered to road hauliers was the reliability of the vehicles and this soon became patently obvious. Daf would have probably succeeded whatever it was called but it is quite likely that a "difficult" name held the company back in its first few years.

If a company has a poor name, it can still be successful but it is easier if the name is a good one. Think about people you know. Their names are their brands. Al Ries & Jack Trout in their book Positioning: The Battle For Your Mind report on a survey in American schools which showed that children with off-beat and not so popular names suffered worse in exam results than those with popular ones. When the marking of scripts was carried out blind, there appeared to be no differences which could be attributed to the names. There is a clear implication that the names we are saddled with from birth act to shape us as does the name of any brand and company. We could have moved on and it is possible that today, a young girl called Chardonnay will be noticed and remembered for her name. A thread throughout the Ries and Trout book is that the names of industrial companies and the way they are built as brands, is not dissimilar to the way we brand ourselves. We try and rise about the thought that we are nothing but a walking image carrying a brand name and brand values.

In the same way, many industrial companies, true to their engineering roots, prefer to believe that branding is for the birds and that if they do build a better mousetrap, the world really will beat a path to their door.

**Choosing a name**

Choosing the name of a company is often unscientific. There is a strong likelihood that the name will have been chosen on emotive grounds rather than because it has been well researched to ensure suitability for the target market. Since every company needs a name and because one name is just as good as another, why not pluck it out of the air? And often it is. It could be a made up name - Yahoo. It could be the name of people – Hewlett Packard. It could be initials or an acronym – IBM. It could be descriptive – Packaging Automation. Equally, it could be the name of one of the children of the founder, the street where they live, the river close by or a word which reflects the interest in some hobby or other.

A name which projects positive values and has a good sound to it must be an advantage to a new company. In certain circumstances a wacky name, even an irreverent name can work too but there are limits. Perhaps in some fashion markets, a name which pokes fun at itself (eg FCUK) may work but not in sober industrial
markets. Clearly you should not select a name that suggests deficiencies in the product (the Crumbling Brick Company would hardly do for a brick manufacturer but may be possible for a demolition business) or implies some negative values (the Inaccurate Bookkeeping Company) but generally these sort of pitfalls are fairly obvious. However, there are also names which although not outright disasters may have drawbacks which only become apparent in time.

There are also the potential translation dangers if the brand is to be used outside the domestic market. An innocuous English name may mean something very different written or spoken in French, German or some other language. In practice this can be a difficult problem to solve - at the time the brand name is chosen there may be no export plans at all let alone a list of the languages which might be a problem in future.

Before going on to discuss methods for generating and testing possible brand names, some legal limitations should be considered. You cannot adopt a brand name (or "mark") if another company has the exclusive right to it. By the same token, once you have adopted a name you will want to stop somebody else using it.

If the brand name is to be the company name the issue is relatively straightforward. A company (or at least a limited company) name must be registered with the Registrar Of Companies and the proposed name will not be allowed if it, or something very close to it, is already registered (names will also be rejected by the Registrar for other reasons including the inappropriate use of words like, National, British, Royal and Bank). In practice rather than delay matters by having an application for registration turned down, you should check out an initial short list of company/brand names against the Register accessible through Companies House in London or Cardiff. Also at this time it is easy to check if the domain name has been registered.

For brand names which are not company names, the best security is through making it a registered trade or service mark. Brands names and/or logos registered in this way (which can be denoted by the letter "R" in a circle) have strong legal protection. In the UK, the Patent Office holds the Trade Marks Registry and application for a registration should be made to the Newport office. A preliminary search, to check whether a proposed brand is already registered, can be carried out online.

Companies which have used brand names which have not been registered as trade or service markets do have some legal protection, under common law, against others copying it and "passing off". However, a case of this sort will be less clear cut than one brought against unauthorised use of a registered name.

**Factors influencing the choice of name**

Choosing a name is a very personal thing. Anyone who has named their offspring will have gone through a questioning process which could just as reasonably be applied to that of a company:
Chapter 8 – Creating And Changing Brands

- Is it a name which will last?
- Is it a name which is too fashionable?
- Will it fit their personality?
- Does it have ‘the right’ connotations? Are the brand values projected - young and vibrant, large and well established, localised or international, a specialist etc?
- Does it produce an acceptable acronym together with the other initials in the name?
- Is it a name which will be appropriate in all stages of life?
- Is it easy for everyone to pronounce?
- Will it be remembered?
- Will the name get shortened or altered to one that is acceptable?

Some criteria suggested by researchers as factors which affect the recall and recognition of names of companies are as follows:

1. Brand names should be simple so that they are easy to understand, pronounce and spell.
2. Brand names should be vivid in imagery so that the mnemonics present strong memory cues.
3. Brand names should be familiar sounding so that much of the information to which the name relates is already stored in the mind.
4. Brand names should be distinctive so that the word attracts attention and does not become confused with other brands.

These guidelines are not necessarily mutually compatible as it may be difficult to find names which are simple, vivid in imagery, familiar and distinctive. Also, there is some evidence to suggest that if the mind has to work harder to understand and recognise the name, it will be more likely to be retained in the longer lasting memory than a familiar name which fails to become lodged. Familiar words may facilitate brand recall but distinctive words work better at building brand recognition.
Different types of names

Company names can be classified into one of seven broad categories.

1  **The names of their founders.** Here the emphasis is placed on the personalities in the firm and this can be of considerable marketing value if they are eminent in their field. Advertising agents, solicitors and consultants very often choose this route. There are few obvious drawbacks to this basis for the brand unless the founding fathers have unpleasant or unpronounceable names. Also the purpose of the name can be lost if one of the partners moves on or dies. In businesses based heavily on personal service, there may be as well a practical problem that customers expect to be serviced by "Bill Jones" himself but in some respects this can be developed as a positive brand value - personal service.

2  **Descriptive names.** Names which say what companies do have the benefit of carrying a sales message with them, at least in communicating what is on offer. B2B International, Tempered Spring, Parcelforce, Ready Mixed Concrete, The Rustless Iron Company all say it like it is. A variant is to incorporate a product description with a proper name eg Chillington Tools and Portland Communications. Such names may well communicate succinctly what the company does. However, because, in the pure form, they are generic names they are arguably not easy to remember and are not effective in differentiation. Another problem is that the brand may outgrow the product description - Ready Mixed Concrete very quickly became RMC and the meaning of the original name was lost. The Rustless Iron Company has perhaps an archaic ring and like RMC modernised with the acronym TRICO. Whether these initials would have ever been selected as the brand name in the first place is doubtful.

3  **Geographical locations.** Unless it is expected that the brand will be limited to a business serving the area, it is hard to think of much in favour of this approach. In consumer markets the place may suggest certain values of the brand (Buxton Mineral Water) but this is much less the case in industrial markets. More commonly the brand outgrows its geography and it can become a hindrance through suggesting it is a local not national company – for example Sheffield Insulations now operates in France, Germany, Poland and the USA as well as the UK and Ireland.

4  **Witty plays on words.** Puns may be the choice of nearly every hairdresser and optician and they can be fun and memorable. But they are also in danger of trivialising the serious purpose of an industrial firm.

5  **Brand value names.** In this case the brand name is chosen to communicate some positive values. This may be explicit and direct eg The Added Value Company or implicit and indirect - eg Mercury (the winged messenger of the gods). The link might be very obscure and apparent to initiates only, but if the name is felt to be attractive, there is probably no downside and it at least gives a basis for future
advertising copy.

6 **Made up names.** Names can be specially constructed so that they carry connotations of the business and provide a distinguishing feature. Such a name could be chosen just because it has no or little meaning and, therefore, no "baggage" to taint the brand. Alternatively it may be felt that the name although abstract is likely to be memorable. However, there is a danger that a fabricated name will only have a meaning to some. Peculiar constructions can be hard to pronounce, difficult to recall or, their blandness can leave them devoid of personality.

7 **Initials.** Initials can provide an acceptable neutrality to a company wanting to operate across a number of borders and cultures but they can also be dull or difficult to remember. As previously mentioned, initials are often adopted defensively such as when the full name becomes no longer appropriate (eg Ready Mixed Concrete to RMC).

Many descriptive names which were seemly 50 years ago have now been shortened to initials which are thought more appropriate for worldwide marketing. Imperial Chemical Industries smacked of the Empire whereas the name ICI can be traded anywhere. At one time the name International Business Machines was descriptive of the company's business but today no one refers to computers in this way and the descriptive powers were redundant even misleading. IBM seems like a better alternative. The title British Telecom could be too partisan for a company going global so BT was the preferred choice.

Initials may work for established companies, especially those of some size. However they are seldom suitable for a start-up. Not only have most combinations of two or three initials already been taken but it can be almost impossible to create a new identity around a meaningless jumble of letters.

Businesses have a tendency to clone success. The success of Apple must have influenced the choice of the Orange brand. We now have Apricot this and that, Blue Banana, and Pink Elephant.

**Logos**

A brand name has to be represented both visually and verbally. The latter aspect - its "sound" - may have already been considered but is important - how will it come across on the phone? The visual representation of the name covers not only the letter style but associated graphics including symbols. Together this is the brand logo.

The design of a logo requires considerable graphic skill and the task should always be given to a professional. In packaging, in advertising, through literature and stationery the name embodied in the particular visual design stands for the brand, the values of the brand and the products under the brand. In practice much marketing
activity is no more or less than communicating this visual symbol. Time, effort and some money is, therefore, justified at the start. Ideally the choice of name and initial drafts of the logo should go hand in hand - possible names may be rejected just because they do not look well visually. The designer should be given as free a hand as possible but to a brief; he or she should understand all aspects of your brand planning and including the brand values you seek to build, the nature of the marketplace and the products under the brand. Logos as with brands are subject to the fads and fashions and designers who are over-influenced by them. The logo may not last for ever but once established there will be good reasons to either keep it or change it only slowly. Monet style brush strokes may be in fashion now (or recently) but how will they look in five years time?

Market research has a role in testing both the brand names and the logos (or shortlists of them). Again, qualitative research in the marketplace is appropriate. The objective is not to pick the best of the shortlist but rather to eliminate any which do not "work" or have some unforeseen negative associations. Such research is relatively low cost as market research goes but the potential benefits have to be weighed against the other calls on a budget.

**Changing a name**

A decision to change a brand name cannot be taken lightly and should only be contemplated if there are serious penalties in persisting with the existing one. The reasons for a change can arise because the old one becomes inappropriate over time or it could be introduced as a damage limitation exercise.

There needs to be convincing evidence that the new name is better than the one it is to replace; for one thing there is often very strong loyalty to an existing name. This is witnessed by the case of the change from Woolworths to Kingfisher. The board of Woolworths felt that the expanded group was no longer truly represented by its name. The change to Kingfisher plc did not pass unnoticed by the shareholders who were so angry, police had to be called to restore control at the company's annual general meeting.

Imagine if a good friend changed their name. The new name would feel uncomfortable, you would keep forgetting it and there would be frequent, inadvertent lapses to the old name. It could take a long time to get used to the idea. It is the same in businesses. British Ropes changed its name to Bridon Ropes in an attempt to position itself as an international company and shake off a colonial image. Years after the change, people still refer to the company by its former title because the new name is not different enough and its lack of meaning has made it difficult to dislodge the old and more memorable title.

Companies are taken over and the name changed but the staff and customers do not easily make the transition. Receptionists introduce the new name in some corruption with which they feel comfortable. Vehicle livery, letterheads, brochures and business cards become a mishmash of variations on the new and old themes. When there is a fear of parting with the past coupled with a less than full commitment to accept something new, the
result will be a dog’s dinner.

If you cannot beat them, you may have to join them. The hotel group Trust House Forte was for many years known as Trust Houses Forte but the constant misspelling of *Houses* by guests as they made out their cheques, caused the company to adopt as its official title that which it had already been given by common consent. There is some small and possible extra confusion from Rocco Forte’s launch of his eponymously named luxury hotel group.

When Don Gooding changed the name of his West London travel agency from Budget Travel to Caribbean Gold, business boomed. Under its previous title, the company was just another travel agent, as it happens specialising in trips to Barbados and the Caribbean. The new name, supported with a new logo style, used the associations of Caribbean and Gold to conjure up thoughts of excitement, treasure trove, quality and opportunity. It is not possible to succeed with a name and logo make over alone and the brand re-launch only managed to keep the company going for a few years.
Summary of chapter 8

In consumer markets the cost of launching new brands can run to many millions of pounds. In industrial and business to business markets the level of expenditure may be very much less but planning a new brand is still a major undertaking and should include; defining the aims of the new brand and the brand values to be communicated, choosing a name and logo, a promotion strategy and internal communication so that everyone understands their own company's brands.

The aims of branding include a focus for awareness, achieving differentiation, creating positive perceptions and adding value. The aims to be pursued should be formally recognised as should the values of the brand. The later should be explicit and formally stated within a company and especially in relation to differentiation; why are customers expected to buy our brand rather than competitors’?

The exact importance of one name over another is uncertain. However, since brands last and the name will become worth something, considerable thought should be given to choosing an effective name. If possible the chosen name should be researched for acceptability to the market. Legal protection should also be considered.

Brands are not only spoken but are communicated visually through logos. Logo design is not an area for do-it-yourself efforts and the best professionals that can be afforded should be engaged.

Names can also get you into trouble. Steve Jobs, when he formed Apple, the computer company, is reputed to have chosen the name because he was a Beatles fan and loved the Apple recording label used by the four Liverpool lads. Since the two companies were in completely different markets, there was no conflict and both companies could trade happily under the same name. He was not to know that 30 years later he would see the recording company in court about the name. The original Apple computer company has become big in iPods and iTunes and potential confusion exists around the two companies’ names.

So, what is there in a name? Absolutely everything. It is one of the most important assets we have, providing instant recognition and a shorthand for our brand values. If we don’t understand the importance of our name, if we don’t nurture and cultivate it, and if we don’t manage it throughout the growth of the company, we are missing a very important trick and we could be in big trouble.
CHAPTER 9

THE MARKETING MIX AND BUILDING A BRAND

Brand promotion

This chapter is about building a brand by using tools from the marketing kit bag. In industrial and business to business markets the brand is often an umbrella that covers a large product range and quite often is the company name as well. In these cases building a brand cannot be separated from building the company.

In a small and embryonic company it is understandable that there is an emphasis on selling over marketing. Selling is usually more tactical and brings in immediate life blood to a company whereas marketing is more strategic and sets the scene for the longer term. With only a little thought and a coordinated approach, industrial companies can build a stronger brand and ultimately win more sales, achieve more loyal customers, and all this at better prices.

Another general point is that most promotions have an objective other than building the brand. They may be designed to inform, excite, interest and they may to persuade people to pick up the phone. Most promotions are a mixture of both brand building and product selling. In earlier chapters we defined how branding is achieved through building awareness, differentiating, communicating positive perceptions of the brand and adding value. Brand promotion is carried out for these reasons.

Brands exist because they are communicated. Brand promotion is concerned with the active and positive communication of the brand and its values. However, brands are communicated in other and crucially important ways. The purchase of a product is perhaps by far the most important form of brand communication.
So are delivery and the service that backs up the products. Good experiences in these areas will enhance the brand as it will lead to it being viewed positively and acquiring the right sort of values. Equally a bad experience of the product or the service will have a negative impact on the brand and these deficiencies will be difficult or impossible to correct through promotion. Promotion, therefore, cannot be thought of in isolation, nor can it alone build and sustain a brand - in the end any promise has to be fulfilled.

**Branding promotion methods**

There are nine different types of promotions that can be used for brand building. These are:

- Web site
- Promotional literature
- Packaging
- Company signs and livery
- Direct mail
- Media advertising
- Public relations
- Personal contact
- Exhibitions

Let’s have a look at them in more detail.

**Web site**

The promotional budgets of most business to business and industrial companies are modest compared to those of their consumer cousins. If the total budget for the year is less than £100,000, there is a limit to what can be achieved on the television – assuming that the medium reached the target audience. However, a website can be set up for next to nothing and a £10,000 budget would buy you something that was all singing and dancing. The web site has become the new promotional literature giving more space and flexibility to describe the products, more opportunity for a small company to appear large, and the ability to constantly keep it up-to-date. Therefore it shouldn’t come as any great surprise to learn that in a recent survey, 25% of industrial and business to business companies said that their websites are the most important method of promotion. This was way ahead of all the other forms of promotion.
Promotional literature

Promotional literature in this context includes everything from stationery and business cards through to brochures, newsletters, data sheets and price lists. Every company needs these basics and for some industrial firms they are an important aid to personal selling. As companies grow, the array of promotional literature expands and it may not be long before there is a potpourri of styles. Odd pieces of literature are generated for a specific purpose but do not fit with the rest of the house style. Even in the largest corporates with strict rules on branding and house styles, staff are allowed to devise their own signatures for e-mails. Given that e-mail is by far the largest means of written communication today, it is amazing that there is little control over the templates that are used.

The design and contents of every piece of literature and print should be carefully thought through and in particular in relation to its projection of the brand as well as a vehicle for product data. For example, what does a picture of the factory really achieve and would it be better to talk about the benefits of the product and not to assume that everyone already knows them. As with all the elements of the marketing mix, it is better to have a limited range of good material than stacks of the mediocre. Consistency is also important. The material should recognisably hang together with a consistent use of the brand logo.

Packaging

In consumer markets the product and its packaging is a very important tool in not only selling the product (eg off the supermarket shelf) but also in communicating brand values. How the packaging is presented has an important influence on the perceptions of the brand. In most industrial and business to business markets, the products and their packaging are not seen as brand communication vehicles. Sometimes this reflects the nature of the product as is the case in bulk raw materials where there is no opportunity to place a branding mark (though we shall show below that the livery of the vehicles which carry the products form valuable branding opportunities for companies operating their own transport fleet).

In other industrial markets there is often the possibility of branding the packaging but it is overlooked. For very little cost, packaging could be designed to communicate brand values. By way of example, a supplier of test sieves used in geological analysis, despatched his products in a plain cardboard box. A new and high quality carton was designed with a brief to emphasise the quality and accuracy of the sieve. A test certificate was also included. Not only did this lead to a rapid increase in sales but in a year or two the brand dominated its market, despite price rises against competitors, because of the added value from the packaging. This innovative approach to packaging need not be restricted to manufacturers of precision instruments.

For an insurance company or a supplier of capital plant, packaging may not be a cardboard box but the presentation of the quotation. The clarity of the submission, the standard of printing, the use of diagrams and
the way it is bound will all influence the perceptions of the product before it is sampled.

**Company signs and livery**

Signs outside the company and in the offices or factory are an important branding opportunity and create a first impression for all visitors. Employees are welded together by the brand and it isn’t out of the ordinary to see staff wearing a company polo shirt resplendent with logo, as they walk around the shops at the weekend. Bank managers and suppliers notice signs and it shapes their perception of the company. This is not to say that every company should promote itself in neon lights. A sign which shouts out loud may be acceptable for a manufacturer of toys but something more subtle is more appropriate for a professional firm. As with all aspects of branding, control is needed to at least avoid any negative effects which could arise from dilapidated or dirty signs. Surely this would signal a run-down or lackadaisical company; the very opposite of what should be intended.

A chemical company carried out market research amongst its customers which showed that it was rated highly in all critical aspects, especially in quality which was one of the most important factors driving the buying decision. The company ran its own fleet of vehicles which, in research, proved to be the most visible aspects of the brand. The well maintained fleet with its attractive livery delivered to some large customers two or three times a day. In its wisdom, the company outsourced the delivery and the liveried vehicles were replaced by those of contract hauliers. Gone was the positive image and gone was the brand reinforcement. A few pounds were saved in transport and a fortune was lost in goodwill. In only a matter of years the company was taken over by its larger German rival.

**Direct mail**

For many industrial and business to business companies, direct mail is a very effective tool for both creating awareness of the brand and communicating positive values. Of course, much of it is "wasted" going straight in the bin but this is to be expected in a medium which only hopes to attract serious attention from a small percentage of recipients. If 2% of people took action as a result of a direct mail campaign, it could be deemed successful and pay for itself. What is more its results are entirely measurable which is more than can be said for
some of the other forms of promotion.

We are entering an interesting phase in direct promotions. We live in an age of multimedia, with more options for promotions than ever before. Every company is at it and so the promotional noise is horrific. In this cacophony, our attempts to be heard fail far more often than they succeed and to the observer it seems like a huge waste of energy and money. One such area is e-marketing using the Internet for targeted email campaigns. However, such as the ease with which these campaigns can be fired off that every Tom Dick and Harry is using it to sell everything from sex potions to dodgy credit. Direct marketing used to be the darling of industrial marketers, but today both the paper and e-versions have sunk in popularity.

**Media advertising**

Media advertising plays a huge role in brand building. Through carefully positioned adverts with images that can reach the conscious and subconscious, a brand position can be manipulated. Potentially, industrial marketing could include the national press in its media schedule but this is generally far too expensive and inappropriate for industrial companies supplying niche markets. Use of the nationals is restricted to the largest of firms and those supplying widespread business-to-business markets. Far more typically, industrial companies place adverts in trade journals and directories specific to their industry.

The quality of the advertising in these trade journals and directories is still difficult to match with the adverts in consumer magazines. Partly this is a matter of money as tiny budgets leave little for classy design. However, the problem also stems from the inadequate imagination and commitment of managers. Working on a limited budget, it is always better to produce a really good media campaign and run it in one trade journal than place poor material more widely. At least this approach has the possibility of the campaign achieving some impact whereas the `spread it thin' tactic means that no one will taste it.

**Public relations**

Public relations cover press releases, customer events and videos. The aim is not to win immediate sales but to build an awareness of the company and to shape its image. Public relations can be a cost effective method of promotion. At its crudest, all it requires is a letterhead, a story and a list of journals and media who may be interested in picking it up.

Industrial companies fall into one of three classes in their use of PR. There are those who ignore the use of PR completely, either over-looking it as a marketing tool or not realising what it can achieve. There are those who do PR badly, usually attempting it themselves, because it is so temptingly inexpensive and ostensibly so easy to carry out. And finally there are those who carry it out well, in the main using the services of a public relations professional.
The biggest problem with most industrial PR programmes is the lack of control over what will be picked up and used within the press. Whereas there is tight control over the design and location of media advertising, the effect of PR is more haphazard. When it works well it is highly effective as a story written by a journalist is seen to be more credible than a story told in an advert.

**Personal contact**

Most industrial products are sold through personal selling. Personal selling covers face to face meetings through to telemarketing. In the same way that PR is powerful but difficult to control, so too is personal contact. It is therefore an important weapon in the branding armoury but it is one that needs careful management. We can go to considerable trouble designing a logo for the brand and ensuring that it is always used correctly. However, the impression left by the salesman who calls or presents himself at a customer’s offices will, without a doubt, have a huge impact on the customer’s perceptions of a company and its brand.

Personal contact extends beyond the sales function to all staff with any sort of public interface. The first point of contact with customers is the reception. We all know the effect on the brand of a garbled statement of the company name, a disinterested voice, or an unanswered phone.

**Exhibitions and trade shows**

Every industry has its exhibitions and trade shows. They work best wherever there is a product to show and so they are perfect for manufacturers of food machinery or machine tools. They work for companies that want to demonstrate technological innovations. They also are favoured by companies selling high value products or services as ust one or two orders will cover the high cost of exhibiting.

**Promotional planning**

We have seen that there are a variety of different types of promotions that can be used for brand building and so the industrial company with a modest budget is going to have to plan carefully. There must be clear objectives for the promotion. Careful consideration is needed for the optimum mix of promotional methods and care is needed in getting the right values into the creative execution of the adverts.

Some aspects of promotion planning are as follows.

**Budgeting.** The achievements and objectives of the promotional plan will largely be determined by the available budget. By the standards of consumer markets, industrial promotion budgets are generally small if not minute and as is argued elsewhere, the limited promotion budget to back branding is an argument against sub-branding which requires support for each specific brand name used in conjunction with the main brand.
Small budgets can produce results if they are focused and not dissipated. Setting the budget will inevitably be some sort of compromise between what is sought as a marketing objective and what is judged affordable, with usually the greater pressure from the latter. The marketing manager therefore has to juggle the budget as best he or she can with what is set aside.

**Objectives setting.** This is the key to effective brand promotion and it requires the marketing manager to decide what promotions are meant to achieve in terms of awareness building and brand value communications. If there are several core brand values, which have priority? There is also targeting to consider; what are the priorities in terms of market sectors and niches? This includes, in some markets, decisions about reaching the various levels of the market (eg in the construction market this may include specifiers, installers, buyers, users and distributors). Targeting may also include deciding which brand values to stress in each sector.

**Promotion methods.** The choice of effective promotional methods depends on the target; the groups of people to whom the company wants to communicate. If the target market is a few dozen companies scattered worldwide, the method will be very different from one where there are hundreds of small businesses scattered in every locality. Professional assistance from advertising agencies may be sought at this stage - their suggestions at least, usually cost nothing.

Most types of promotions will be used for purposes unrelated to branding and this includes the salesforce whose principal role in life will be to bring in business. Thought should be given to how any unintended as well as planned effects on brand perceptions can be controlled throughout the marketing mix.

**Design of promotion material.** The importance of the design of promotional material has already been stressed. It needs the company to be committed to quality and to choosing the best designers that can be afforded.

**Administration.** Administering the promotional budget is a matter of making sure it all happens, that the staff and resources are in place to ensure this and that the promotions are working towards the key goals. Some parts of the marketing mix need special attention as they are susceptible to slippage. In direct mail, for example, a sound plan of mailings may be developed at the start of the year but other interests and priorities may mean that it does not happen. The problem is likely to be less acute with other methods. Once a media schedule has been booked it is just a case of ensuring that the copy is there on time; if an exhibition is booked this will be a sufficient driver to make sure that all the necessary preparations are carried out and that attendance actually happens.

**Evaluation.** A further aspect of brand promotion is evaluation. Although in the long run the point of branding is to generate profitable business, branding promotion is not carried out to generate sales enquiries and, therefore, its success or otherwise cannot be evaluated in terms of orders or enquiries received. The only
rigorous method is through market research and the various forms of measurement covered in chapter 7. The effect of advertising on awareness of a brand, for example, usually involves before (pre) and after (post) research to measure levels of awareness.

A cautionary note here is that the differences between the before and after studies may need two quite large samples to guarantee that the difference is real and not just the result of statistical variance. The use of such research comes back again to the budget. There may simply be inadequate funds to pay for research. Also there needs to be some balance between the research spend and the promotion expenditure itself - £10,000 spent on researching a promotion costing £150,000 may be money well spent but such research is more questionable if the promotion costs are under £50,000.

If formal research cannot be afforded then evaluation must be informal and based on management perceptions of what has been achieved. However crude, such conscious evaluation is better than an unthinking repeat, year in and year out, of the same promotional mix.
Summary of chapter 9

Effective promotion is vital to build a brand. Often, however, brand building is only an analytically separate activity and the marketing tools available can all be used, to a greater or lesser extent, for achieving the other major promotion objectives; informing about the product range and selling.

Promotion methods to build a brand include;

**Website.** This has become the brochure online and is the most important promotional weapon for most business to business companies. It is low cost and allows small companies to promote themselves at no great disadvantage to the behemoths.

**Promotional literature.** This used to be the must-have for all industrial companies. It is still important but less so today, being increasingly usurped by the cheaper, more flexible website.

**Product and product packaging.** Although well developed in consumer markets, opportunities to use the products and their packaging for branding purposes are often missed in industrial markets.

**Signs and livery.** These are effective but they must be kept in good condition and up to scratch.

**Direct Mail.** Direct mail is a very flexible tool to meet both brand and product objectives but it delivers less and less in this noisy promotional market.

**Media advertising.** Generally media advertising is more effective at building a brand than selling a product.

**PR.** Generally PR is best carried out by professionals although in-house work can be effective. It is important to tell a consistent story rather than just send out anything which is felt to be vaguely newsworthy.

**Exhibitions.** Attendance at exhibitions can be used effectively to build a brand and works well for high value products that have to be seen, touched and demonstrated.

**Personal Contact.** Managed badly, face to face selling and other forms of personal contact are extremely powerful. They need careful management to ensure that there is a uniformity of approach – in other words the consistency that we expect should come from strong branding.

Promotion planning requires a budget, the setting of objectives, selecting the mix of methods, design work and a plan to make sure it all happens. Evaluation through appropriate research is also needed if the budget is sufficient.
CHAPTER 10

USING SERVICE TO BUILD BRANDS

This chapter is about service and the strong link between service and brands. Service, used correctly, can be a crucial element in building a strong brand. However, the process is not just one way - branding can reinforce service provision and help to overcome some of the difficulties often found in managing customer service.

What is service?

The dichotomy of product and service based businesses is generally false; at least for product businesses. There must be very few, if any, businesses where products are transacted without some element of service. Moreover, the success of the business will depend just as much on its customers' satisfaction with that service as with the product - the steel rod may meet all the technical parameters required, but this is no use if delivery is late and unreliable.

Using the example of steel rod, elements of service in a product based business include the following:

- **Sales** A manufacturer of products such as steel rod depends on sales activity to bring in business, but from the customer's perspective, sales is also a service offering benefits such as; an understanding of their requirements and translating them into a technical product specification, a facility for placing orders, a point of contact to chase-up and so on. The customer will experience this service in a variety of ways but with an emphasis on personal contact; meeting or phoning sales representatives, internal order takers and the reception staff of the rod manufacturer.

- **Quality assurance** The rod can be physically tested by the customer for conformity to the required specification on a consignment or sample basis. However, increasingly, customers expect a guarantee of quality assurance levels as part of the manufacturer's service.

- **Packaging And Shipping** In consumer and some industrial products, packaging is taken for granted or
even regarded as an integral part of the product. However, even with unpackaged products such as steel rod, there are related services meeting customers’ needs for batching and product/batch identification. This might be achieved through a standard method of tagging, with well designed and secure labels fastened to rod bundles.

- **Delivery**  No product manufacturer can afford to neglect offering a satisfactory delivery service; this is, in nearly all markets, one of the "drop dead important" issues. Aspects of delivery service include delivery times, special express services and, often, above all, reliability of delivery. The service may in some cases be linked to a customer's own "just-in-time" production methods.

- **After sales**  In the case of complex equipment, the ability to offer an effective after sales maintenance service is often seen as the service element and may be the nub of the contract between supplier and customer. However, all products have some potential for after sales including in the case of materials such as steel rod, the ability to offer application advise and trouble-shooting.

- **Finance and credit control**  These are usually seen as activities protecting a firm from its customers rather than as a positive service to them. This is the wrong approach. Credit control handled well can both achieve the financial objectives and appear to customers as at least a comparative benefit (compared with the poor performance in this respect of other suppliers).

This is not by any means an exhaustive list of service aspects in a manufacturing company; others could be added including product development. In service based businesses, there is either no tangible product or else it is recognised as being only a part of the total value of the transaction (eg the cost of materials used in vehicle servicing). However, such businesses not only involve the core service (vehicle maintenance, building work, cleaning etc) but also other services comparable to those found to be bound up with the supply of physical products including sales, delivery (keeping to timetables), after sales and credit control. Many service businesses are good at their trade (the core service) but woefully neglect important aspects of customer service.

How big is the service side of manufacturing? The combined global sales of all manufacturing companies involved in making goods such as cars, computers and clothing are put at about $15,000bn a year. Of this, 10 to 20 per cent is claimed to come from some kind of service function, whether it is charged for separately by the company or included in the price customers pay. A study by McKinsey, the strategy consultancy, says that more than one-fifth of all revenues of the durable goods industry in the US - encompassing manufacturing fields that include machinery, appliances and vehicles - come from services associated with the products.

Regardless of its particular type, service is a customer experience. In fact service is all customers' experiences arising from dealing with a supplier, except those that arise directly from their consumption of a physical
product. The choice of the term "experience" is deliberate - it points to an important feature of service. That is that the customer can only be satisfied with a service as it is performed (experienced), no reliable method usually exists to test it beforehand (as is possible with many physical products). Samples of steel rod can be tested prior to an order being placed but whether the delivery is on time can only be experienced after commitment. For this reason, elements of service such as delivery and after sales become very important in commercial relationships and are often the basis of a supplier’s position in the market.

A positive reputation in these respects underwrite market share and is largely why stable business is possible. Conversely, the importance attached to a proven track record in these matters is why it is often difficult for a new supplier to break into the market or at least make rapid progress. However, service reputation is not immutable; a new supplier can make in-roads by offering improved service and a market leader can lose position by neglecting standards. Also poor performance in this context makes a bigger impact than good performance and a position is often lost through mistakes in managing service functions.

A problem in using service as a positive marketing tool is that much of it is personal and ephemeral. This is particularly the case with sales service and sometimes after service. We can plan sales call frequency to ensure that all (or all important) customers are regularly contacted. We can also, through such as sales contact reporting methods, try and ensure that sales visits are used profitably to identify customers' needs. However, sales service is not delivered by machines but people and, in the end, sales service, relies on interpersonal skills. If, however irrationally, I cannot stand Acme's representative, little will come out of even the most carefully planned sales visit. Another aspect of this is that personally based services such as sales, are difficult to control. We can ensure the product is made to a consistent and uniform standard, is packed effectively and goes out of the factory on time but what the sales representative gets up to is another matter and (as a manager) I may never really know. Even where personal service is carried out to a high standard there are potential problems - as we have said earlier, if what gives a company the edge in its market is the personal skills of the sales manager, there is risk of losing customers if he leaves and either goes to work for a competitor or sets up on his own.

Providing any service has a cost. In the case of some service aspects the costs of providing a high rather than a poor level of service are marginal. For example, the wage of a poor receptionist is the same as for a good receptionist and the only difference in cost is that of taking extra care in recruitment or spending a modest amount on training. However, in other areas, providing enhanced service has an incremental cost which we hope can be paid for through the value of increased business or by making additional service charges. In some markets, a situation may be reached where the competitive provision of customer service produces a spiral of falling margins comparable to a price war, with victory to the companies with the biggest war-chest. In the end this cannot be sustained and some alternative, such as positively managing customer service, expectations has to be devised.

In summary, therefore, service is an important element in all businesses and provides a means of gaining and
keeping a competitive advantage. However, it is often provided on an exclusively personal basis and almost certainly this has a cost. As we shall show, the linking of service and branding not only increases the power of both but helps to overcome some of these problems.

**Service and branding**

Branding is communication. Brands exist to the extent that they and their values are successfully communicated to the marketplace. Often, communication, in relation to brands, is thought of in terms of promotion; media advertising, direct mail, sales presentations, PR etc. However, arguably, these forms of brand communication are secondary to experience of the brand - to build a brand usually requires promotion but this must be linked to maximising customers’ experience of the brand. This experience is in two parts; the product (or in the case of a service business the core service) and the service aspects that support it.

Service is, therefore, intimately linked to branding in a two-way process. Enhancing customer satisfaction through service aspects helps build a strong brand but equally, branding reinforces service and provides a means of overcoming some of the problems of service provision.

The aim of branding is in the end, to help build profitable business. This is achieved in four ways:

- **Awareness** The brand provides a focus for awareness of a company's range. There is really little to say in this connection about service. Service is not, as such, used to create awareness for a brand although awareness building activities of a brand can be as much concerned with service aspects as the product range.

- **Differentiation** This is often the core of branding. The aim is to create a unique brand and an expectation from customers of a unique experience. This can be in terms of either the products or the service and as we shall see the branding of the service provides a solution to some of the problems found especially in the more personal services. Equally, however, service, as we shall argue shortly, is a means of creating and sustaining differentiation.

- **Positive perceptions and expectations of the products (and services)**. Largely this is only another aspect of differentiation. The brand is differentiated through creating positive expectations and providing these are fulfilled the product and service experience sustains the differentiation of the brand.

- **Added value**. A successful brand gives added value to a product. In practice the service associated with the product may be the basis of this added value. Equally, however, branding may provide a means of solving the cost of service problem.
Two aspects of branding, therefore, have a strong link with service - differentiation which is discussed next and added value which we return to later in this chapter.

**Service and differentiation**

There are obvious attractions of a business based on unique products. Whether or not the world will truly beat a path to his door, the man with the better mousetrap has at least a head start. However, in many industries differentiation through unique products is difficult to achieve or keep for long. This is obviously the case with products at the commodity end of the spectrum and even products with a significant level of manufacturing input are often required and made to a common standard throughout an industry. Even in technically advanced businesses with high levels of design input, differences between competing ranges are often marginal. The uniformity of the underlying technology and its global dissemination is a major force reducing product differentiation. Of course the pace of product innovation continues to accelerate and the number of new product launches is growing. However, the lead achieved through new products (and, therefore, product differentiation) tends to be held for shorter and shorter times. Notwithstanding patent and design rights, access to universal technology ensures that any product lead is short-lived. To build a business on the basis of long term product differentiation is increasingly an untenable strategy.

Branding itself is of course the major antidote to non-differentiated products. As argued elsewhere the association of the product with a strong brand and with core values matching up to market needs, is the means of achieving a product range which is perceived to be in some way different and special; a range which customers positively want to buy. The products are seen to be different because of their brand. In part this is achieved through positive communication of the brand values in promotion. However, no branding, no matter how well promoted, can bridge too big a gap between perception and reality. If no difference is experienced by the customer, differentiation will erode. Service provides the means of achieving such "real" differentiation and provides benefits which are continually experienced by customers.
Chapter 10 – Using Service To Build Brands

Earlier in this chapter, we outlined some of the common types of service backing up a product range; sales, quality assurance, packing and shipping, delivery, after sales and credit control. Any of these can be a basis for differentiation; the company is seen to be unique because the service backing the product range is different or unique. This difference might be that the level of service performance is perceived to be so high as to be unique or that the service is seen to be offered in a special and unique way. Examples of service levels can be in response times to enquiries, delivery times from orders, performance in meeting delivery dates and speed of after sales follow-up. Unique forms of service might be found in the sales function (eg a special way of handling customer enquiries), quality assurance, packing and shipping (eg in product labelling), administration of delivery (eg exact delivery times, the demonstrable commitment of delivery staff) and a unique method of organising after sales.

The specific aspects of service on which differentiation is to be built must always be based on the market's and customers' requirements and needs. Possibly the underlying need for the service is not currently met or is met badly. The company able to identify this need and able to incorporate a better service into its brand can, in this way, gain a competitive advantage. Often this insight into customer needs is intuitive and comes from continual contact with the marketplace. However, formal market research also has a positive role to play and where budgets allow, research should be at least considered when planning brand development through service. This is an area where both qualitative and quantitative research have applications; qualitative research (group discussions etc) to understand the nature of service needs and quantitative research (ie measurement) to establish satisfaction levels with existing suppliers. Research is also a tool to monitor the effectiveness of service improvement programmes.

Once having identified the service needs of customer service, the areas which are to be the basis of differentiation can be selected. Quite possibly some service areas will be vital to customers but not as such to be a basis for brand differentiation. Following day delivery, for example, may be a critical requirement but if this level of performance is a condition of staying in the business, all suppliers will offer this level of service and it is not a basis for successful differentiation.

The best general advice is to do it differently and do it better. Not only, therefore, should the service meet customer requirements but it should be possible to develop the service in a different way and perform it better than current suppliers. Devising such a package is clearly a creative activity which can be helped by brainstorming or qualitative research. For example, a supplier of lawn care equipment for professional sports grounds carried out a survey of grounds men to see how it could improve its service. Just one respondent gave a clue which was turned into a great service differentiator for the company. He said that he hated having his equipment taken away for service as this often coincided with a time when it was needed. This led to the idea of equipping a van that could do the service on-site offering a quicker turnaround, cheaper costs because there was less transporting of equipment and the grounds men were not bereft of their mowers.
Another factor to consider in developing (and providing) a service is consistency. Branding implies uniformity in critical aspects of both products and service. There may be a case for really excelling in some service areas rather than others (the differentiating areas perhaps) but inconsistent performance will undermine the brand and in the long term the business. It is not acceptable, for example, for some service staff to have first class customer handling skills but for others to be appalling. Such abilities cannot be left to chance and all staff must be trained to a common and high standard. Figure 10.1 illustrates this point.

![Fig 10.1 – Inconsistent Service Destroys Branding](image)

To ensure consistent standards of service, monitoring is required. This may be organised in-house, through customer satisfaction surveys carried out by a research agency or, where practical, through “mystery shopping” programmes. The latter involves researchers posing as customers and objectively recording the standard of service received. However, although this is a very effective technique, it is just impractical in many industrial markets; even the most skilled researcher cannot pretend to be a buyer of power stations.

Not only should the differentiating service be done better and differently but customers should be told that the service is better and different. The service approach can, therefore, be featured in brand promotion so that the experience of the service is both reinforced amongst existing customers and awareness of the service based uniqueness of the brand communicated to potential customers and the marketplace generally. Media advertising, direct mail and personal selling all have a role in this respect. In the case of customers, however, thought should be given on how service delivery can be symbolically marked. Service experience is on-going.
but it also transient. Breakdowns in service levels are noticed by customers but performance is often taken for
granted - the nine times out of ten that after sales response is within half the maximum response time makes no
impact when the tenth occasion is within three quarters of the maximum but is perceived as "late" – because it
is, relative to the other responses. Wherever possible, therefore, the delivery of the service should be physically
marked and examples might include quarterly reports on after-sales response, quality assurance certification for
a product batch and delivery notes demonstrating the fulfilment of timing promises.

Building brand differentiation through service will take time. Not just the time to plan the service changes and
implement them but also the time needed for customers to experience the enhanced services and become
convinced that they are special and unique to the brand. Reinforcement of the service changes through
promotion will of course help cement differentiation but a significant time period, varying between markets,
will be needed before benefits are reaped. However, because time is required for customers to acquire
experience of a service, competitors cannot easily and quickly take business through promising the same.
Unlike a product, a customer can only evaluate a service through experience and until then the service is no
more than a promise. To buy from a competitor, therefore, becomes a risk because, although the product
appears the same, the true service that backs it, is unknown. A brand, therefore, differentiated on service, rather
than product features, has strong defences against competitors. The investment in service differentiation must,
therefore, be thought of as a long term strategy but one with real pay-offs in the future. Conversely it is
generally not a means of quickly turning round flagging sales.

Service and added value

One important aim of branding can be to add value. Because of the brand association and backing, the
customer attaches a higher value to the product than might be expected from its intrinsic "worth". Profit may be
taken from such added value through premium pricing or gaining higher sales (because of their added value the
demand for the products, against competitors increases).

Like other aspects of branding, added value must be perceived by customers to rest on some "real" benefits. In
consumer markets these may well be psychological benefits created through brand advertising, but, for the most
part, in sober industrial markets the benefits will have to be more utilitarian. Service enhancement is generally
the best approach in this respect. The product, as a result, has a higher perceived value because of the level or
different nature of the associated service. This brand of steel rod offers delivery within a two hour window
advised beforehand. Like all copiers, brand X will break down but the support service is such that downtime
can be expected to be no more than two hours. The statistical control techniques used in the manufacture of a
material means the variability of a critical element is within a narrow and known range. In all cases, in these
examples, it is the service which distinguishes the product and increases its value to the customer; service
creates added value.
As we noted earlier, services are not delivered free. Improvement in levels of service will involve at least initial costs and the costs of offering a different type of service may be on-going and significant. However, if the service has been planned, and is based on customer needs, it will be seen as worth something by customers. This added value provides a means of recovering the cost of the service - either through premium pricing of the product or through the additional contribution generated by increased sales of the product on the back of added value. Providing, therefore, the service that supports a product is planned well, there is no charge on profits and on the contrary, enhanced service is a route to a more profitable business.

**Branding personal services**

Some aspects of service are very people based. Sales activities in particular, but also after sales and some other areas are often seen as personal services. As discussed earlier, personal services have intrinsic problems including the difficulty of control and vulnerability to personnel changes. At the worst your top performing salesman may leave with your best accounts.

Linking-in services to the brand can much reduce these problems. With brand promotion, customers recognise that they are buying a well supported brand with many facets rather than just being supplied with the product by the salesman. Of course, this is not to denigrate the necessity of personal skills in selling (or any other service aspect) but handled in the right way, these skills will be seen to be as much a function of the brand as the man. The salesman is expected to be good because he is from Mercedes (who, it may be thought, select and train only the best).

The means of achieving this linkage between brand and service is through general promotion of the brand and its core values but also by explicitly branding sales (and other personal service) activities. Salesmen are required to present themselves to a minimum standard, to use the brand name correctly, to be trained in the brand "story", to use brand literature and so on.

Branding is also a framework around which to control personal services. Because the brand and its many symbols are presented in a uniform way, variability is reduced and, by definition, control is increased. High levels of service, and especially personal service, is very people dependent and necessitates good training programmes. Branding must, however, be central to this training. The sales staff and all others concerned with the delivery of service (to some extent this must be everyone within a business) must understand the company's brand or brands, the values built in and how this translates to everyday and mundane activities.

**Managing service expectations through branding**

In recent years there has been a far greater emphasis on the type of service back-up we have discussed. Whether this has reflected initial unfulfilled expectations in the marketplace or whether the improvements in
services provided has raised expectations is of only academic interest; probably both factors have interacted. As mentioned earlier, this may in some markets lead to an escalation of competition on service, with, in the long run all suppliers loosing out; much as in a price war. The linkage of branding and service, however, can provide a means of managing customer expectations and thereby escaping the problem.

We have argued that service is a means of enhancing brands through differentiation and stimulating positive perceptions. This is true but it is not a one-way process. Strong brands can also positively influence customers' perceptions of the service backing the brand. To an extent at least, the service offered is valued because of its branding as well as vice versa. All the means to strengthen brands through promotion, discussed in earlier chapters, will, therefore, strengthen perceptions of the service offered and reduce the extent to which comparisons are made with competitors' service. Service is, therefore, insulated from competition and customers are less likely to take the initiative in stimulating a service war between potential suppliers. Part of the strength of successful branding is that it defines and sets boundaries to good service - the level offered by the leading brands. Service may well have contributed to the position of the brand leaders, but once established an element of stability is built into the market including in the area of customer service expectations.

**Service planning**

To build and maintain brands through service, planning is as important as in other areas of marketing. Service planning should be taken every bit as seriously as product planning with adequate budgets made available. Plans must meet each individual circumstance but in all cases there is an underlying logic to follow:

1. A review of market requirements for service - what are the needs and what services can or do meet these needs?

2. A critical review of existing service provision. Obviously the emphasis is on your own business but ideally this should also extend to the service offered by competitors - satisfaction with service provision is largely a relative matter. This review must be objective and, budget permitting, formal market research is usually the best approach.

3. Planning the launch of new or improved service back-up with feedback to establish the match to the identified need.

4. Linkage of (the new) service to branding through all relevant promotion activities.

5. Monitoring of service provision and the impact on perceptions of the brand. Except in a vague and loose sort of way, this can only be done through formal market research using the approaches outlined in chapter 7.
Summary of chapter 10

Services are already built into most industrial products and it is estimated that they account for between 10% and 20% of the value of the products. This proportion is growing and it offers a great opportunity to differentiate a product and build a strong brand.

Important elements of service include; sales, quality assurance, packaging and shipping, delivery, after sales support and financial aspects.

Service is a customer experience and is of major importance in a supplier/customer relationship. Service must be proven and until then it is just a promise. This is why me-too copying is often harder for service than for products. Service can, therefore, defend a brand effectively against competitors.

Many services have a strong element of personal relationship and this can be strengthened and made more durable by branding (as well as in turn helping to support the brand).

Providing a service has a cost but when linked into branding the cost of service can often be recouped through added value.

Service is an effective means of achieving brand differentiation and increasingly more so than through attempting to base a brand solely on short-lived product features.

Service should be based on customer needs with the aim of doing it better and differently. The benefits of the service component should be positively communicated to customers including by tangible symbolisation.

As much care should go into planning service as products. This should cover; a review of the market's requirements, a critical review of the existing service provision, the launch of new or improved services to meet requirements, linkage to branding, monitoring service provision and if possible measuring, through research, the impact on perceptions of the brand.
BRAND MANAGEMENT
CHAPTER 11

Caring For Brands

Brand responsibilities

For most industrial companies, the big brand, the umbrella brand under which all products sit, is the company's name. The amount of money and research which is spent on changing a company's name can vary from nothing to many millions. The new name of Signet, which replaced Ratners, the jewellers, occurred to a senior manager of the company one day. He simply put it to the board who liked and approved it. Accenture’s name came from a staff initiative scheme. In contrast, British Telecom is estimated to have spent £50 million with the Wolff Olins consultancy transforming its name and logo style to BT. The expenditure on the changes to a company name, its logo, and styles of presentation may vary but the responsibility nearly always remains, and should remain, with the Board.

On the other hand, day-to-day management of the brand is likely to be the responsibility line managers. It is their task to build awareness and interest and to create the right perceptions of the brand using the marketing devices at their disposal.

In some consumer companies, the company name may be little known and it is the individual brands which mean everything. Where there are a number of brands in a consumer company, brand managers are appointed to defend and improve their positions but they operate within tight and clear guidelines. A brand manager can promote the product, look for new customers and suggest ways in which the brand could be strengthened. However the brand manager is unlikely to be empowered to make fundamental changes to the products such as,
altering the recipe from which it is made or even changing the colour of the wrapping. These are often integral parts of the brand and changes to them can involve considerable risk. A small change to the formulation of Coca-Cola caused such a furore amongst loyal customers, the company was forced to relent by re-introducing the original drink as the ‘Classic’ product. It mattered not a jot that the new formulation was preferred in blind taste tests, customers wanted to know what Coke was doing altering their brand which they had told them was “the real thing” for years and years.

Once a strong brand has been created, the ownership of it shifts to the consumer. It is the consumer who has become loyal, the consumer that has learned to value the company or product for all the reasons that have been promoted. When this happens, changing fundamental elements of the brand become more difficult. Just as Coca-Cola had difficulty getting its customers to accept an improvement to its product, so too it took time for RS Components customers to accept the benefits of the company's catalogue being split into different books to accommodate the large range of mechanical products on offer. Customers recognise that the management of RS Components is the custodian of its brand but the core values of the brand, including the centre piece, the catalogue, belongs to the customer.

**Corporate or decentralised branding strategies**

There are two important routes which industrial companies can take in the development of their branding strategies. They can adopt a strong centralised or monolithic policy of branding in which they build up a 'corporate' brand or they can have a decentralised policy in which the corporate brand is played down, perhaps used only as a linkage device and or maybe not featured at all.
Strong corporate (monolithic) brands

Most industrial companies operate a strong corporate brand - one name, one logo, one type-style for all products and all divisions. This is the most cost effective of all strategies for a company with a large product range or where there are a relatively small number of customers, as is the case for many industrial companies. Every pound spent on promotion and every use of the brand reinforces the whole. It simplifies the introduction of new products as they are added as new parts of the companies range and given a product code by which they can be ordered.

There are some disadvantages with this `monolithic' strategy. It makes it more difficult for the company to spin off a division or a product at some future date. Also, all the products are lumped together so that a problem with one could taint the other. The Union Carbide disaster at Bohpal would have been easier to contain if the group had operated under separate companies, each with its own brand identity. Also, it can sometimes be confusing for customers who face a company with a profusion of brands in widely different fields. Having made this point, it does not seem to hinder the Japanese conglomerates who tend to favour monolithic, corporate brands. Yamaha markets organs to out-board motors under one name as does Mitsubishi who under that brand markets tractors, television sets, banking services, plastics and motor cars.

Decentralised brands

In a company with decentralised brands, there are a number of brands, each with its own identity. Unilever and Proctor & Gamble are examples of this type of arrangement in consumer markets. Sadly, many industrial companies copy this decentralised model with a rag bag of brands invented over time, none of them linked, and very few of them supported by a heavy marketing expenditure.

There are many disadvantages to this decentralised approach to branding in industrial companies and I will come to what they are. However, there are also some important advantages and they should be noted. For example, a company that has independent brands maintains the freedom to spin them off or sell them without in any way affecting the rest of the group. Damage to the reputation of one of the brands is also less likely to spill over and affect the others.

Keeping a portfolio of independent brands is, however, extremely expensive since each requires its own promotional budget. Nor is there any opportunity for cross-selling or cross-marketing support from one brand to another. It also means that each brand loses out on the opportunity to build synergy between the brands and benefit from coordinated promotions.

Similarly, within a company there may be a number of separate brands just as Hewlett Packard has its Laserjet and Inkjet range. However, these are not the same as the autonomous company brands which exist within some
industrial companies. It is not unusual in some companies to find dozens of different unrelated brand names that are not linked by the company name. These are legacy brands that often aren’t really brands at all but the remains of some eager marketing manager or brand manager who felt impelled to leave a mark by launching a new name. Most of these “legacy brands” could just as easily have a product code and they don’t pass the three question brand test:

- When people think of the product or order the product, do they use the brand name or do they describe the product they want?
- Would it matter to customers if the product didn’t have a brand name and simply had a reference code?
- Does the product have any values attached to it that make it special and different from similar products offered by the competition?

If the brand doesn’t pass this three question test, it either is a brand that is flagging and needs support, or it should be a brand at all – it should be a reference code.

**Reviewing a branding strategy**

The marketing team in industrial companies which are responsible for the management of the branding should have a clear view of the objectives of the company brand(s). Sadly this is often not the case. The power of branding is not recognised or understood despite successful branding being a route to significant material gains in the form of more loyal custom and higher margins on sales and quite probably a higher valuation of the business.

In arriving at its branding goals, the marketing team should consider the following:

- The current construction of the company in terms of its products, divisions and subsidiaries.
- The awareness and loyalty of customers to the various brand names.
- Any protection which the brands enjoy such as trade mark registration.
- The target customers for each of these different parts of the business and the degree to which they overlap, one with another.
- The parts of the business which are currently earning most money and those which could do so in the future.
The feasibility of selling any one of the parts of the business.

The relationship of one part of the business to another and the scope for cross-selling between them.

The current methods of managing the brands in the company and any advantages which could be gained from separating them or bringing them together.

Reviewing these points will begin to shape the branding strengths and weaknesses of the company and will help the board decide whether it should adopt a monolithic or decentralised branding strategy. This process could also lead to some tidying up of the brands such as selling off those which have no future, revitalising those which are flagging, extending those which offer opportunities or extracting more mileage out of the brands by licensing them or using them in joint ventures.

**Branding objectives and guidelines**

I argued in Chapter 8 that in creating a brand it was important to be clear about the aims to be achieved and that the brand values should be explicitly communicated. Having clear objectives for a brand and its values is not a one off task – it should be on-going. The senior management of a company (usually the Board) should have this responsibility and communicate a clear brand policy to the marketing team. This brief may be at two levels. At the first level there could be a statement about the broad philosophy of the brand. This statement is likely to include words which, like motherhood, few would dispute. However, the aim is to bring the emphasis on what should be really communicated. The following list shows some of the words which might be included in such a statement (although never all of them together):

**EXAMPLES OF KEY WORDS WHICH COULD BE USED IN THE FIRST LEVEL OF A BRANDING OBJECTIVE**

- Dynamic
- Powerful
- Dominant
- Innovative
- Leader
- Growing
- Stable
- Steady
- Caring

The subtleties of such words should not be overlooked. A company may think it more important that it is seen
to be growing very fast than the fact that it is powerful. Equally, the principal image it may wish to create is that of a clever, inventive company. Everything will depend on the size of the company, the number of years it has been in business, and the market in which it operates. It may, for example, be appropriate for a pharmaceutical company to be thought of as inventive and responsible and for a computer company to be seen as innovative and rapidly growing. A new financial services company may wish to give the impression that it is firmly established and rock solid.

The statement of broad philosophy should reflect careful thought by senior management and be arrived at after discussions throughout the company and, equally vital, with customers. Formal market research is usually the most objective method of feedback on market perceptions and the appropriateness of a broad brand philosophy. Research of this sort should be also considered at intervals throughout the life of the brand.

When, a broad branding philosophy is agreed, it should written down so that everyone, especially the marketing managers, are aware of the Board's thinking. The objective is all the better for being short. For example:

To portray the company/brand as one which is rapidly growing and which cares about its customers and staff

As well as a broad philosophy, there is often a need for a second level of objectives; specific goals. For example, targets could be set to achieve certain levels of awareness such as, "The company/brand should be 'front of mind' in 80 per cent of target companies". Similarly, there could be targets set on customers' ratings of service levels. One major European truck company has a commitment to achieve an overall satisfaction score of 6 on a scale running from 1 to 7 on 58 different service attributes. Goals of this sort, however, necessitate brand measurement research. There is no point in having such as awareness and satisfaction levels as goals unless what is actually achieved is measured and preferably at regular intervals. An appropriate research budget, therefore, needs to be available.

**Internal branding**

If staff do not understand their company's brands how can they be effective? How can staff communicate the brand values to the marketplace? Yet rarely is much done in this respect; there is no real effort on building branding internally. The result of neglecting this is not only missing opportunities for positive communication but, very likely, a lack of uniformity and control in how brands are presented.

The requirement is for communication. The brand values, those fundamental issues which drive the company and brand, should not be a secret of the senior management but understood by all staff, in all functions and at all levels. This may involve displaying a statement of brand values and this could be part of the mission statements now much in vogue. But this is not enough. There is no virtue in staff being able to parrot slogans
if they do not understand how the brand values relate to their own particular jobs - whatever their role there should be some linkage.

One objective of internal branding initiatives should be to achieve a uniformity of approach, and therefore control, in all aspects of the communication of the brand. This will include areas such as the maintenance in good order of visual display - the vehicles, reception, the premises generally and personal presentation.

**The control of corporate designs**

Once a corporate design has been approved it must be strictly adhered to. It is the role of marketing management in industrial companies to see that people stick to the rules. Companies which run franchises know that the value of their brand is their principal asset. Other companies could learn from the controls and standards set by the franchise companies. Typically they insist on the following:

- The logo must be used with all its components and not deconstructed without special permission. (Sometimes guidelines are given as to where the logo should be located and its relative size).

- The brand name style must always be used in the same way on signage, printed material, packs, vehicle livery, uniforms etc.

- The colours of the name and logo must always be the same and measured against a standard colour chart.

- All decals and signs of the company name must follow special guidelines.

- The logo and brand name style and type styles must be used in the same way in all adverts.

In vehicle franchises the rules go far beyond the use of the brand and logo to include the layout of the reception and showroom, dealer frontage, and paperwork systems. This ensures that the independently run franchises, wherever they are, present themselves as a familiar and reassuring face to customers.

Rules on the use of the brand should be available to the many people who may have to implement them. The marketing manager and product manager are obvious candidates but so too may be the regional manager, transport manager and building maintenance manager. All could need to know the limitations of the use of the brand as they in turn order print, repaint vehicles and put up signs.

The rules on consistency of the brand on signage, e-mail signatures and business cards should extend to the format of adverts. Adverts from a company are expected to have a certain style. Indeed, that style offers the
opportunity for building recognition, not just of the offer on the page at the time, but the whole company – in other words, the brand. The layout, graphic style, headline and body copy position, and the location of any visuals may all add up to a signature that says “I know that this advert is from …a certain company”.

Inevitably rules on the use of branding will be seen as limiting by anarchistic managers who believe they know better. In their mind their customers will be different; their offer will need special treatment to stand out; in fact, they will believe that the market is tired of seeing the old format – it is time for something new. This view extends up and down the company. I once worked with a company whose managing director was reported as saying “are we still working with that old ad?” when it hadn’t yet been released.

**The development of new products under the corporate umbrella**

Corporate brands are strengthened by the regular introduction of new and improved products sold under the umbrella of the company’s name. Improvements to existing products are not in question; anything which makes a good product better has to be a good idea. In industrial markets these improvements take place all the time. It is the introduction of completely new products that can cause major problems.

Products that are completely new to a company do not always fit comfortably within the organisation. New products attract high expectations and yet, many new products fail.

Senior management have a responsibility to encourage innovation, accepting the risks of failure, as innovations are behind the success of some of the fastest growing companies. For sixteen years Geophysical Services specialised in seismographs and oil exploration but remained a relatively small company with sales of just $2 million. It was when it changed its name to Texas Instruments and concentrated on developing silicon transistors and semiconductors that its sales grew into the billions of dollars. The question is not whether innovation is a good thing or not, but rather how to manage it.

In high-tech companies it is likely to be the Research & Development department which drives the work on new products. Industrial companies less tied to technology, are more likely to give the new product responsibility to the marketing department or worse still, it may not be assigned to anyone at all. In many industrial and business to business companies, especially SMEs, the ideas for new products occur almost randomly as through constant learning, better ways are found of doing things.

The temptation is to make the new product a brand. This seems intuitively logical. A newly born child is given a name, why not a newly born product. In this way, companies build drawer upon drawer of brands, most of which are not really brands but products. The following table shows when a brand is really a brand rather than a product.
<table>
<thead>
<tr>
<th>A brand is:</th>
<th>A product is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Something customers ask for by name</td>
<td>A convenient locator in a product range</td>
</tr>
<tr>
<td>The name people use when talking about the product to someone else</td>
<td>Something which could be just as easily be ordered by description</td>
</tr>
<tr>
<td>When people think of the brand rather than the product</td>
<td>A label which could be changed without any loss of loyalty to the customer</td>
</tr>
<tr>
<td>Something which has developed or could develop a personality beyond the product</td>
<td>A label which customers have to look up and don’t really care about</td>
</tr>
<tr>
<td>Something people would pay a premium for under that and no other name</td>
<td></td>
</tr>
</tbody>
</table>

**Summary of chapter 11**

In most industrial and business-to-business markets the brand which really matters is that which carries the company name. Brands are often badly neglected and yet this is a missed opportunity which could make the difference to the success of companies in markets where there is only a hair's breadth separating a close run pack. A small percentage improvement in brand awareness and image could provide a company with an opportunity to obtain premium prices or take a greater market share.

Since branding is so important, they should be given aims and the support of the most senior management in the company. Managers who are responsible for the day-to-day task of defending and building the brand need clear guidelines on what their company and brands stand for. Setting branding goals should be supported by precise instructions of where and how the corporate name, logo and design can be used.

Under the umbrella of the strong company brand, long term success of a company is secured by innovation. The encouragement for launching new products to strengthen the corporate brand is another responsibility for senior management. The important thing here it so ensure that when new products are launched, they are only given the status of a brand if they really do have unique features that will be attractive to a significant sector of the market.
The mood of the discussion so far has been up-beat, showing the way in which a brand can help differentiate a company to the point where people will accept no substitute. However, life is never so simple and brands live in a changing world where they may be threatened or may need to adjust to take account of different circumstances.

We have talked about brands as if they were people. Reference has been made to their personality. And, just like people, brands can die if they are not nurtured and maintained. However, unlike the passing of time which eventually sees humans off, age can work to the advantage of a brand. Some of the strongest brands in the High Street have been around for years and the fact they are old does not make them old fashioned. Our grandparents would recognise the names of Kit-Kat, OXO, Persil, Shell and Alka-Seltzer and yet all are strong brands with high levels of awareness and a modern image. Time can work to the advantage of a brand if it is cared for and cultivated. Brands do not begin to flag because they are getting old, brands begin to wane if they are not backed adequately, if tastes change or if they are under threat from competition.

There are occasions where no matter how much resuscitation is given to the brand, it faces death and has to be buried. However, fortunately, brands which are flagging can often be retrieved. Indeed, because there are likely to be some residual values left in the minds of customers and potential customers, the cost of revitalising a brand can be less than that of building a new one.
Factors stopping a company responding to threats

Sacred cows

One of the biggest problems facing companies whose brands are under attack is getting rid of the internal sacred cows. Sacred cows can be:

- a commitment to making a product in a certain way
- a commitment to making a product in a certain place (with implications for costs of manufacture)
- a commitment to featuring certain selling points about the brand
- a commitment to selling the brand through specific channels.

It can be difficult for the managers of an established business to recognise the significance of an attack which is being made on their brand. In the first instance the attack is likely to be a small dot on the radar screen. It may not even be seen as a threat. And even assuming that the offensive can be spotted, there will be some uncertainty as to whether it will succeed. The managers of the besieged brand may react by attack or defence. Both may be appropriate, depending on the circumstances.

Size and speed

Size is very often a handicap which prevents a company from reacting to competitive pressures. In theory large companies are in a position to stamp out competitive threats but that assumes that they can recognise them, given that they may come from different directions in very small doses in the first instance. Large companies may believe that their size protects them. Small companies may not have the fire power of their larger rivals but they may be able to act quicker and take more risks.

The world is littered with examples of companies that were slow to adjust to their competitive environment. The mighty Dunlop Rubber Company has been reduced to a supplier of sports equipment and a specialist tyre supplier by its inability to recognise the threat of the competition. British Steel, once a mighty supplier within Europe, failed to react to the competition and was eventually subsumed by the smaller Dutch company, Hoogovens, to form Corus.

Very often, defensive strategies are to find new markets for products or to try to develop innovative products to replace those which are dated. Most times, companies with their backs to the wall have not got the time or the money to seek out new markets and retrenchment may be the only option. Unfortunately retrenchment could
result in job losses, the divestment of part of the business, a lowering of morale on the part of employees and most probably a loss of confidence in the market place. It is at times like these that brands need as much help as possible to revitalise them and to win back some positive values.

**Brands which flag because they are not supported by promotion**

We have seen how some brands, brands which have been well promoted, can live on in the memory for a long time. Unless disaster strikes and causes an over night change of attitude, the effect of previous advertising campaigns will have given the brand some `capital' which lingers on. When times get hard and budgets are squeezed, advertising is one of the first things to suffer because management know that there is a bank stock of awareness and goodwill retained by the company which will survive for some time. Advertising may stop completely but sales will continue to come in.

Assume that a brand has sales of £2 million, it would need some brand support on a continuous basis and some would argue that 2% would be a reasonable figure. In other words, a brand with this level of sales would require an annual promotional budget of around £40,000. And this is the point. If a company is running 10 brands (or sub-brands) each would require a promotional budget of around 2% of sales, otherwise the brand will atrophy. Too often, industrial and business to business companies launch brands hoping in some vain way that they will look after themselves on fresh air alone.

An established brand could live for a number of years without the support of promotion. The problem is that once the promotional budget is cut, it may become difficult for marketing managers to justify returning it to its higher level. Companies managed by cost cutters may find it hard to find new sums of money for brand support whose effect cannot be financially measured. If building a brand is partially an act of faith it is understandable that managers who do not believe will not make the investment in the brand. When sales do not fall off a cliff after the promotional budget has been slashed there could be a feeling that they will not jump through the roof when it is raised - so why spend the money?

Branding is a long term process and even then it is difficult to quantify its financial contribution. Because there could be a long delay between the effects of promotion and the impact on sales, branding could be weakened by the pernicious neglect of advertising investment.

It hardly needs saying; the remedy for the lack of advertising is to turn the tap back on. However, this stop-start policy could itself have an adverse impact on the brand. When there is a decline in promotional activity the lower levels of advertising are not noticed by customers. The resurgence in advertising almost certainly will be noticed but its very reappearance could be a reminder that it had stopped. This could create a feeling amongst customers and potential customers that the company is not serious or committed to a market. It could also suggest that the company is in trouble and is making a last ditch attempt to try to promote itself out of a crisis.
These negative thoughts could be counter productive to the promotion which is trying to revitalise the brand.

A brand would not suffer in this way in the first place if the promotional spend was adequate, continuous, and consistent. However, the practicalities of business are such that industrial brands are frequently starved of promotion. So what to do? Certainly, a return to a promotional investment is required but it should not necessarily be more of a same. If things are different now then maybe the advertising should reflect this. A fresh campaign, with a new message may head off the problems which could occur from simply reactivating the old stories. A change from one form of promotion to another may be effective such as (by way of example) using online advertising instead of media advertising or sponsorship and PR instead of exhibitions. Getting the promotional mix right is almost as important as fighting for a realistic sized budget in the first place.

**Brands which flag because they get stuck in a time warp**

Sometimes industrial brands can be forgotten or ignored. The branding which began with the company may have been just right for it during those earlier years but times change. What sort of an image is conjured up by the title `Isle Of Man Steam Packet Company'? Is this really a name for a large ferry company wanting to give customers confidence in its ability to transport them quickly and reliably across the Irish Sea?

The title, Manchester Ship Canal Company is self descriptive. At least it was when the company had a prosperous ship canal to manage at the turn of the century but it lost its relevance when railways and motorways removed the competitive advantage of the waterways. The market was in terminal decline and with it the company. However, the company owned vast tracts of valuable land on the sides of the canal and these have become its raison d'être. The company name, and its brand, has endured but it is a misnomer, its real business having outlived its appropriateness. Today the company is part of Peel Holdings who manage the land and operate the Ship Canal as a separate entity.

A fussy logo may have been acceptable at the turn of the century but today it carries connotations of being old fashioned. Dunlop's `flying D' was thrusting and forward looking in the 1950s but it is beginning to look tired in the twenty first century.

Companies need courage to make changes to their brands and associated typestyles, names and logos. If the name of a company is truly not in harmony with its market, it must change and we have seen examples of this in Chapter 8. Sometimes the change is a natural consequence of how customers refer to it with long names being converted to initials or abbreviated to `nick-names'. At other times more drastic changes are required and a new name has to be adopted.

Companies which understand the importance of branding keep their logos and typestyles up-to-date through constant modernisation. Each time they take place, the changes may be small and imperceptible but looked at
over time it is clear how far they have moved. A close examination of Shell’s pecten over the years would show how it has changed from the original scallop shell through to the simplified red and yellow graphic used today. Such was the subtlety with which these changes took place, it has always seemed in tune with the times and the market place.

Mawdsley Brooks, a medium sized, privately owned pharmaceutical wholesaler, supplies chemists who phone through their orders and expect deliveries within just a few hours. The company has a fleet of vans which makes their rounds a couple of times a day and sometimes with just a few items in each delivery. Chemists use two, sometimes three wholesalers so that there is always a back-up if the first choice supplier is out of stock. It is not a market where suppliers are axed at a whim as strong relationships are created through the many transactions which are carried out each day and every week. However, chemists can vary their allegiance to one supplier rather than another and it is easy in such a competitive environment for shares to slip.

A survey showed that customers had a high level of loyalty to Mawdsley Brooks, valued its independent position and recognised its commitment to customer service. However, because it was a long established firm, it was positioned as rather old fashioned compared to some of the newer wholesalers who were showing rapid growth through acquisition. The survey also showed that the company name style, which was used on all the letterheads and by the telephone team who took the orders, was not the name used by customers. To customers it was simply Mawdsleys, a shortened but intimate rendition; just like a nick-name. Building on its strengths and working to rectify its weaknesses, the company redesigned its logo and adopted the name by which it was commonly known. Mawdsleys was relaunched with a fresh, vibrant image, especially evident through its high profile delivery fleet whose van sides acted as poster sites.

**Brands which flag because they come under competitive threat**

Every company suffers competition and this is often in the form of a head on attack in the market place. In fragmented markets this can be hard to monitor as the large number of companies and the high level of activity, means it is not clear who is winning and losing. What is more, a company may watch its sales fall over a number of months not knowing if this is the result of a down turn in the market or the loss of market share. And it is important to know since the course of action should be different depending on the nature of the adverse change. A loss of sales resulting from a competitive attack would need a different approach to one which was caused by a fall in market demand and where it may be a question of getting out or riding out the storm. So the first question is to find out if the fall in sales is the result of the brand being under attack. If this is the case there are short and long term tactics which can be adopted to defend the besieged company (see Figure 12.1 overleaf).
Short term defensive measures

*Increased promotional spend.* Spending money on a new advertising campaign and putting more resource into the sales machine are obvious ways to defend a brand under attack - assuming that the resources are available. Out-gunning the competition with a larger marketing purse has to be carried out with care for, as we have indicated, if it looks like desperation, and it is desperation, it could become counter productive.

*Innovative marketing.* Being smarter in the use of the marketing budget may be a more effective retaliatory tactic than simply spending more. Direct marketing approaches such as mail shots and telemarketing need not be expensive and they tend to be hidden from competitive view in contrast to media advertising which stares out from the page.

*Pricing and commercial deals.* In some industrial markets buyers will react to price cuts and so a brand under attack could always consider discounts or special deals. Of course, there is a penalty in giving away money to keep the custom and price cuts should be a last rather than first resort. It may be judged wise, however, to stop the loss of sales in this way. Otherwise they may never return. Price cutting discounts can often be built into imaginative schemes such as those which gave retrospective discounts or loyalty bonuses.

*Increased service.* Higher levels of service could help protect a brand under threat. Quicker deliveries, just-in-time delivery, or a technical help line may be all appropriate. Company employees understand the need to fight off the opposition and if it is explained that they are under siege, it will make the smile and the extra mile seem
all the more important.

_Tying up customers._ The threat suffered by a brand could be reduced by securing the business of large customers, perhaps by encouraging them to sign an annual contract. Large customers could be given their own supply of stock on their premises from which they can call off products when they require. Perhaps there is scope for an on-line offer in which customers can interrogate stock levels and prices and down-load their orders straight into the system.

**Long term defensive measures**

_Management changes._ Sometimes the problem is not the brand but the management of the company. If this is the case, the only solution is a management shake up. This could vary from re-training the team and setting targets for change through to a last resort of changing the team.

_Specialisation._ Tempered Spring is an old established manufacturer of steel springs based in Sheffield. It operated in a market where there was active internal competition from the dozens of spring manufacturers around the UK but additional competitive pressures came from the general decline in spring consumption as solid state electronics replaced many items of mechanical equipment. Tempered Spring’s management looked to its strengths and decided that the only way to defend its position in the market and to retrieve its flagging sales was to specialise. It focused on the automotive industry where dozens of springs are used varying from those which are highly technical and used for cylinder valves and suspensions, through to more simple springs for boot and door closures, windscreen wipers and the like. Through this specialisation Tempered Spring was able to build a brand which had a new and special reputation, so much so it has become a world leader in automotive spring technology throughout the world.

_Innovation._ Innovation is the key to long term survival for most companies and it is an effective means of counteracting a brand under threat. However, finding, developing and launching new products involves high levels of risk - many fail. It also can take years for new products, especially in industrial markets, to become established.

_Build new brand values._ In the 1960s and '70s, Rank Xerox had the UK copier market to itself and its monopolistic position allowed it to dictate terms making it difficult for customers to buy machines outright and coercing them into rental agreements they would have preferred to avoid. Japanese suppliers of copiers moved into the UK, first attacking outlying regions and later rolling through the heartland of Rank Xerox's business, taking share with their reliable copiers which could be acquired outright or on any terms to suit the customer. This loss of market share by Rank Xerox was in effect their customers voting with their purses and saying that the brand was over valued compared to others. The way out for Rank Xerox was to become more customer orientated and to beat the Japanese in the quality of its machines. Reward systems encouraged the achievement
of excellence in quality and customer satisfaction and through this means the value of the Rank Xerox brand was restored with a commensurate improvement in market share.

Impossible problems

A flagging brand may be the result of a bad product or service which no amount of image restoration can rectify. If things are very bad, any attempt to rectify the situation may be viewed and fail miserably. In the late 1970s the Romanian truck manufacturer, ROMAN, attempted to sell its trucks in the UK. For a year or so it enjoyed buoyant sales as the low priced vehicles quickly stole share. However, its success was short lived as the lack of reliability of the trucks soon became apparent. Bitten by a failure on the most important requirement of all, the brand very quickly fell into disrepute and had to withdraw from the market. It would be difficult for this brand to re-enter the market whatever it promised.

Summary of chapter 12

There are three causes of flagging brands; neglecting to promote the brand, competitive threats and a change in structural demand. The only way forward in the latter case is to innovate or move into new markets. Innovation is something that all companies should be doing in order to stay healthy and, since this strategy needs time and money, it is better as a preventative measure than a cure for a brand which starts to flag in a changing market.

Short term measures which can be used to defend a flagging brand include more and different promotions. Spending on promotions is an obvious way to revitalise flagging brands although it will not do much for a company in terminal decline because its products are no longer required. It is not just the size of the promotional spend which matters, the messages and the media can also make a difference. If needs must, price deals and discounts may be required but this is too often the first line of defence whereas it should be the last. If there is time, brands can be defended against competitors by innovation, or finding new markets.

It is not always apparent that a brand is under threat as a fall in sales could be the result of seasonal or economic factors. However, when the threat does occur, the response time can be slowed by the size of a company which makes it slow to react or the sacred cows which interfere with the decision making process.
CHAPTER 13

Valuing Brands

The real monetary value of brands

Throughout this book we have referred to `brand values'. They can be critically important or small inconsequential things but above all they are the things which give the brand its worth and differentiate it. Through these brand values a product or service is enhanced beyond its functional purpose. In this context the brand provides the consumer with more value and this is why they are prepared to pay a premium to acquire it.

Various studies have been carried out in consumer markets to determine the premium that people will pay for brands over and above a base line. Assessing the value of intangibles by asking consumers to separate out the brand and place a monetary value on it is difficult because they do not do this in the real world. The purchase decision is taken in the round.

We now want to consider the value of brands in another context - that of their monetary worth if sold on the open market and how this value can be estimated even when disposal is not anticipated. At the onset of this discussion is it important to draw a distinction between individual brands owned by a company (eg Kit-Kat) and a brand which is also a company name (such as JCB). In principle the approach is the same in both cases but whether any valuation of a corporate brand name is realistic is more uncertain.
Goodwill and the value of brands

When a company is sold, it seeks to obtain a value over and beyond that of its tangible assets. Historically this has been referred to as ‘goodwill’ and was taken to mean the value of the loyalty of the firm's customers. This is an interesting concept as we have seen that loyalty is an important component of branding so already it is clear that there is a strong link between goodwill and brands. After all, a good brand is one which customers insist on by name and for which they are prepared to pay a premium. This loyalty would have a value if the brand was ever sold.

Accountants are now refining their views of goodwill and accept that it extends beyond loyalty. On these grounds goodwill is taken to include other intangibles which enable a company to earn ‘super profits’ or those profits over and above what could be expected from the tangible assets of the company alone. This concept of goodwill is important as it signifies that it is an asset, namely something which an organisation controls and which will provide future benefits. The asset of goodwill can be realised by the sale of a company but its very existence implies that it can also be assessed at any time and given an internal valuation - this view departs from the traditional approach which crystallised goodwill only at the time of sale.

Firms have a collection of intangible assets in the form of people (key personnel such as a skilled workforce, managers, scientists), special company procedures (such as ISO 9000 or other quality systems), distribution agreements (which keep the product in and the competition out) and patents (which give a product protection over a finite number of years). All these intangible assets have a value and in theory at least could be assessed within goodwill. In practice it is only aspects of goodwill such as patents that have been readily separated out for valuation. But other intangibles can in theory be separated out and one of relevance to this discussion, is brands. The recognition of brands as an asset to the company is not new to firms making consumer products but, hitherto, it has been largely ignored by industrial companies. In effect there has been a failure of industrial companies to recognise that brands do have a value, including the possibility that they also have a value on the balance sheet. However, as already mentioned, that the company name and brand are often one and the same in industrial markets, presents additional difficulties.

Internal valuations of goodwill are the subject of some contention in accountancy circles. Conventionally, it has been accepted that goodwill is something which only arises when a business is sold and until this happens the value of goodwill is not included in balance sheet assets. In this view goodwill is the difference between the price paid for the business the value of its net assets at that time.

This view recognises three components to goodwill. Two of them are of little importance for this book. The first includes any benefits which the company possesses, perhaps because it has a monopoly position or because it occupies a particular niche which others would find difficult to enter for legal or technical reasons. The second component arises from the fact that accountants find it difficult to precisely value all the identifiable
assets and so there will be some over or under valuation which enters into the equation. It is in the third component of goodwill, the value of separately identifiable intangible assets, that our interest lies as it is here that any value attached to brands would fit but so too would any value that could be recognised in a company's distribution routes, key personnel or customer lists. Up to recently all these things have been lumped together as it has been deemed too difficult if not impossible to separate them from each other and the other components of goodwill.

![Diagram of Intangible and Tangible Assets](image)

**Figure 13.1 – Brands within the valuation of a company**

**Capitalising the value of brands**

Over the last few years a number of companies have had separate valuations made of their brands, effectively giving them property rights which enable them to be taken out of goodwill and labelled as an identifiable asset on the balance sheet whether or not there is any intention of selling them. The brands which were singled out as having the potential for capitalising on the balance sheet were big names in consumer products because here it was easier to see them as something which could be removed from the company and sold separately. In other words they were given special status and not treated as part of the goodwill. Grand Metropolitan was one of the first companies to recognise this potential when, in August 1988, it arrived at an assessment of £565 million in respect of the brands, such as Smirnoff Vodka, it had acquired during the previous three years. This was followed shortly in November of that same year by Rank Hovis McDougall who capitalised its internally created brands, (ie not ones which had ever been purchased for cash) such as Bisto, Hovis and Mr Kipling, placing a value on them of £678 million. The significance of this act can be seen when it is set against the
perspective of the company's net assets at the time which were only around £300 million.

Cadbury Schweppes was another pioneer in brand valuation and introduced a monetary assessment of its brands into its accounts in 1989. This acted to boost the asset value of the company bringing it closer to the share price valuation which had always been much higher as it included shareholders' appreciation of the potential of the company and recognition of the value of the brand's goodwill.

The controversy about brand valuation rumbles on because there are an increasing number of companies, purporting to have very high assessments of their brands, and they are not all in consumer fields. For example, in 1993 the US magazine, Financial World produced its annual listing of consumer brands and their valuations and there was one significant surprise. Jumping straight into third place, behind the world's two biggest brands, Marlboro and Coca-Cola, was the semiconductor giant, Intel with a brand valuation of $18 billion. This accomplishment followed a number of years of hard work on the part of Intel to make its mark in the world but how has it got there when it has spent nothing like the promotional budgets of its neighbours in the list which include Nestlé, Kellogg's and Kodak, not to mention the two brands out front? And Intel is still up there in 2006; ranked 5th behind Coca-Cola, Microsoft, IBM and GE it has a brand valuation that has nearly doubled from that of 1993.

In the case of RHM or Cadbury Schweppes it is easy for us to see how one of the brands could be spun off and sold to another company without any disturbance to customers. As long as the brand continues to deliver the same qualities in terms of the product and its surround, most customers will not care who owns the factory. But what of a situation where the brand is the company, as in many industrial firms, the subject of our concern? Here the brand and the company are intertwined and because they are inseparable, one cannot easily be sold without the other.

**Problems of capitalising the value of brands**

Brands are vulnerable in being dependent on such intangibles as people's perceptions of them. Building these perceptions can take many years as reputations are earned by repeated proof that a brand justifies its position. The perceptions can, however, be destroyed overnight. When Hoover launched an offer of free flights in exchange for its vacuum cleaners and other products, it hoped that its market share would increase and the brand would become stronger. Market share was certainly won but at a substantial cost and not without rancour from customers who found catches in the offer. This was followed by thousands of words of unwanted comment in the media which ridiculed the scheme and lowered, not raised, the brand's image. By any measure, Hoover's communication was ineffective and this would surely have reduced its image and brand valuation. If the brand name had been capitalised, the asset value of the company should, arguably, have been reduced to reflect the harm caused by the free flight fiasco.
The world is full of stories of brand disasters from Ratners crap jewellery to Perrier’s benzene contaminated water to a recent scare of salmonella in Cadbury’s chocolate.

All brands have a value. The question is how much is it worth and how should it be capitalised if at all? The valuation of the brand at the time of the sale of a company is not usually a big issue as all aspects of the goodwill are wrapped up and that is the figure that someone is prepared to pay over and above the tangible assets. What is more contentious is the capitalisation of the brand's worth on the balance sheet as this requires brands to be separated out from the other intangibles. For, as in the case of Hoover, brand value can melt away quickly. So, whether or not the value of a brand can be separately assessed realistically, there remains the problem of confirming or reassessing its value each year. Similar problems face accountants in the valuation of other assets such as property (whose value can also fluctuate). The difference in the case of brands is the lack of an efficient market for them. The procedures and practices of valuation in this area are not yet agreed.

**Procedures for valuing brands**

A number of solutions have been proposed for placing a monetary value on brands but none are without controversy. One of the most publicised approaches is that devised by the branding consultancy, Interbrand. In this model of brand valuation there are four steps:

1. **Financial Analysis** - to identify business earnings and 'Earnings from Intangibles' for each of the distinct segments being assessed
2. **Market Analysis** - to measure the role that a brand plays in driving demand for services in the markets in which it operates and hence to determine what proportion of Earnings from Intangibles are attributable to the brand (this is measured by an indicator referred to as the 'Role of Branding Index')
3. **Brand Analysis** - to assess competitive strengths and weaknesses of the brand and hence the security of future earnings expected from that brand (this is measured by an indicator referred to as the 'Brand Strength Score')
4. **Legal Analysis** - to establish that the brand is a true piece of 'property'

This method of valuation is open to criticism as much can depend on just one or two key issues. In the case of Intel a considerable part of the brand value lies in its technical patents. However, if competitors manage to overcome this in their future designs then this will negate the factor which gave the massive boost to Intel's brand valuation.

Grand Metropolitan has valued newly acquired brands by determining the difference between the acquisition price and the fixed assets required to make them. However, since this equates broadly with accountants' assessment of goodwill, it must be assumed that the capitalisation of the brand also includes other goodwill.
components such as personnel, distribution rights, technologies and procedures etc. Also this approach is only possible following a sale or purchase of brands.

Yet another method of valuing brands is in terms of the incremental discounted future cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product was anonymous. For example, when the Kellogg's brand was valued it was determined that in matched product tests with corn flakes cereal, choice increased from 47 per cent when the brand name was not known to 59 per cent when the Kellogg's brand was identified. Based on the financial market value of the company, this method of estimation extracts the value of the brands from the value of the firm's other assets.

This book has argued that branding is worthwhile because it strengthens a company's market position. This is a 'motherhood' argument with which few would disagree. We have focused our discussion on the lost opportunity of building industrial brands since to us this is a much neglected area. In ten years time we are likely to look back on the approaches which are used for valuing brands and they will probably be established in the same way as the uncertainty surrounding the valuation of property was overcome. This work has begun on consumer brands which stand alone and can be isolated for analysis. In the future it is likely that the techniques will become still further refined and applicable to the corporate brands of industrial companies.

**Summary of chapter 13**

Brands clearly have a value to the companies which own them; the business is worth more because of the position of the brand in its market. Traditionally the value of a brand has been regarded as part of goodwill (the extra worth of a business over and above the value of physical assets) and accountants have only valued this at the time a business is sold - up to then it does not appear on the balance sheet.

In recent years some major consumer brands have been capitalised - a value has been put on the brand and included as a balance sheet asset of the company owning the brand. Various approaches to measuring brand value have developed but are not as yet standardised. Problems remain, including that brand worth can fluctuate quickly (eg as the result of some marketing disaster).

In most industrial markets there is additional complication to valuing brands; the brand and the company name are the same. Although, arguably, the two can be separated in theory, how or whether this should be done in practice is as yet uncertain. In the future, however, industrial companies may start to formally value brands and adjust their net worth accordingly.
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