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The course of lectures on discipline

**BRAND MANAGEMENT**

for the 4th year students

of the specialty 6.030601«Management»



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**Сontents**

***Introduction***…………………………………………………………………….…….4

***Lecture 1.***  FUNDAMENTALS OF BRAND MANAGEMENT ……………………6

***Lecture 2.*** TRADEMARKS AND TRADE TOKEN (SYMBOL)………………....14

***Lecture 3.*** METHODS OF CREATING A STRONG BRAND ……………………26

***Lecture 4.*** BRAND EQUITY………………………………………………………38

***Lecture 5.*** BRAND AWARENESS AND CREATING OF BRAND LOYALTY...48

***Lecture 6.*** SUSTAINABILITY AND CHALLENGES OF BRAND……………...56

***Lecture 7.*** BRAND VALUATION...………………………………………..………67

**INTRODUCTION**

Brand management begins with having a thorough knowledge of the term “brand”. It includes developing a promise, making that promise and maintaining it. It means defining the brand, positioning the brand, and delivering the brand. Brand management is nothing but an art of creating and sustaining the brand. Branding makes customers committed to your business. A strong brand differentiates your products from the competitors. It gives a quality image to your business.

Brand management includes managing the tangible and intangible characteristics of brand. In case of product brands, the tangibles include the product itself, price, packaging, etc. While in case of service brands, the tangibles include the customers’ experience. The intangibles include emotional connections with the product / service.

Branding is assembling of various marketing mix medium into a whole so as to give you an identity. It is nothing but capturing your customers mind with your brand name. It gives an image of an experienced, huge and reliable business.

It is all about capturing the niche market for your product / service and about creating a confidence in the current and prospective customers’ minds that you are the unique solution to their problem.

Brand Management is a course designed for students interested in marketing and especially in the world of brands. It does not require any specific knowledge since it starts from basic level and it keeps a very practical point of view, focusing in the main theoretical concepts and framework, but having a "real life" approach.

Building and managing successful brands is one of the key marketing value drivers today. The ability to develop brand vision and insight to engage your target market is at the heart of effective brand strategy together with excellence in designing an integrated marketing mix. Great brand plans contain these elements and communicate how brand equity will be built and protected.

This workshop will be especially useful for marketers when they have to prepare a brand plan for the first time, or are reviewing the effectiveness of their current plans. It is also invaluable for senior managers having to evaluate the brand plans submitted to them by marketing specialists and for graphic designers and agency executives working with brand teams.

The main objectives of the course are as follows:

- Understand role of brands in current context, where competition is fierce and tangible aspects can be easily copied.

- Be involved with the main concepts concerning brand management.

- Learn to identify essential values of a brand, it is strong points and weaknesses, and understand the difference between what a company sells and what the consumer buys.

- Practice with all the concepts through a final assignment that has a very practical approach: build a brand concept and the strategy around it.

- Understand the different agents that play a role in the process of brand management: client, agency, designer, brand manager.

- How to generate ideas for brand strategy including the contents of the brand positioning statement illustrated with examples from a number of leading brands.

- Understand the structure and contents of a brand guideline document.

- Understand the role of marketing communications.

- Understand planning and evaluating the performance of the brand.

- Understand branding issues for your organization and development of an action plan to address them.

**LECTURE 1. FUNDAMENTALS OF BRAND MANAGEMENT**

1. *The importance of branding for businesses*

*2. The development and essence of brand management*

*3. The value and benefits of the brand*

1. ***The importance of branding for businesses***

Prior to launching an advertising campaign or developing a marketing strategy, it is crucial that you determine your brand’s identity. Simply put, a brand’s identity is its singular “personality” that serves to identify a company or business and distinguish it from its competitors. Although “branding” has become a buzzword popularized by entrepreneurs, many people still have trouble grasping what the term means.

So what is branding, exactly? Branding is successfully creating a brand identity that will not only make your business more appealing in comparison to your competitors, but it will also convince consumers that in a sea of prospects, your business is the only one capable of satisfying their needs. Many different components can go into developing a brand, including eye-catching designs and a unique name; however, a brand encompasses more than just a logo. It’s what clients take away from the experience of working with you. It’s what your company stands for and is known for within your market. Coming up with a brand means coming up with what your company promises to deliver, whether that’s perfectly seasoned gourmet pizzas or impeccably tailored shirts. Branding includes the overall style of your company and the meaning it has to clients. Ideally, it would motivate people to buy your products or use your services.

If you don’t define your brand, you create the possibility that someone else will do it for you, including your competitors. Defining you brand allows you to control—or at least influence—how others perceive you. An effective brand marketing strategy minimizes your company’s chances of fading into the background and solidifies your reputation as a veritable force to be reckoned with. Strong branding demonstrates that a company aspires to something greater than just business as usual. By raising your status from a basic commodity to a brand, consumers will be willing to pay a premium for your services or products.

Ultimately, branding is perhaps most essential because it increases the chances that people will remember you, even as the battle for consumers’ attention (and money) rages on. A fully-developed brand identity will push your business to the forefront of consumers’ minds, making them more likely to recognize you, enlist your services, and remain loyal long after the conclusion of your professional relationship. It takes a lot of time to build (and maintain) these valuable customer relationships. A few examples of successful branding:

* Coca Cola: The majority of people instantly recognize this brand. Their logo, the Christmas songs, TV commercials, ads and cans are a part of the Coca Cola branding strategy. This brand has been around for decades, allowing its message to go from generation to generation, and all of Coca Cola’s efforts have paid off. Wouldn’t you agree it is quite hard to imagine a world without Coca Cola?

- McDonald’s: Remember when you were a kid and going to McDonald’s was a treat? Of course you do! This is why you will probably take your (future) children to come and have a quick bite here every once in a while. McDonald’s introduced Happy Meals for children, including a small toy in every meal box. A smart move, given the fact that competitors soon offered similar deals. Furthermore, they incorporated the word “Mac/Mc” into their product names, like “McNuggets” or the famous “Big Mac.” These decisions have had major influence on the way customers perceive the brand.

- Apple: Apple has found a way to become one of the most popular brands in the world by branding themselves successfully. Mac computers aren’t for just anyone, nor are the iPad or the iPhone. The late Steve Jobs was known for his way of presenting new products to the public and used his black turtleneck sweater as part of his strategy. Even the use of putting an “i” in their product names is all part of Apple’s branding strategy. The designs of the products, the campaigns and product launches are all in sync with Apple’s style and its branding.

You can say that these companies have become experts in business branding, based on their successes.

1. ***The development and essence of brand management***

***Brand*** is the "name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers". Initially, Branding was adopted to differentiate one person's cattle from another's by means of a distinctive symbol burned into the animal's skin with a hot iron stamp, and was subsequently used in business, marketing and advertising. A modern example of a brand is Coca Cola which belongs to the Coca-Cola Company.

A product is any offering by a company to a market that serves to satisfy customer needs and wants. A product can be an object, service, idea, etc. Brands are not the same as products. On the other hand a name becomes a brand when consumers associate it with a set of tangible and intangible benefits that they obtain from the product or service. So, brand is the seller’s promise to deliver the same bundle of benefits/services consistently to buyers.

A brand – an intangible asset – is often the most valuable asset of a corporation. Brand owners manage their brands carefully to create shareholder value, and brand valuation is an important management technique that ascribes a money value to a brand, and allows marketing investment to be managed (e.g.: prioritized across a portfolio of brands) to maximize shareholder value. Although only acquired brands appear on a company's balance sheet, the notion of putting a value on a brand forces marketing leaders to be focused on long term stewardship of the brand and managing for value.

The most distinctive professional skills of marketing persons are their abilities to create, maintain, and protect a brand in a hostile market. These abilities call for a collective input on part of all within the marketing department and other departments. Brand creation, therefore, is the end product of a team of professionals and not just one person. It is a team effort. If the art of conceptualizing the brand rests with marketing, then the actual creation of it is the cornerstone of the overall company team.

*Why do brands matter?*

* Brands have become important drivers of growth for any organization, good or service.
* The main reason consumers flock to some brands and ignore others is that behind the brand stands an unspoken promise of value.
* A Brand is a promise that the product will perform as per customer’s expectations.
* A brand helps make a mark and differentiate a good or service from others in marketplace.
* A strong brand makes people aware of what the company represents and about the different offerings of the company.
* Brands help customers to connect to the product or service on an emotional level.

Now, that you have learnt about ‘brands’, let us see what is brand management.

In 2001 Hislop defined branding (or brand management) as "the process of creating a relationship or a connection between a company's product and emotional perception of the customer for the purpose of generating segregation among competition and building loyalty among customers." In 2004 and 2008, Kapferer and Keller respectively defined it as a fulfillment in customer expectations and consistent customer satisfaction.

Brand management is a function of marketing that uses special techniques in order to increase the perceived value of a product. Based on the aims of the established marketing strategy, brand management enables the price of products to grow and builds loyal customers through positive associations and images or a strong awareness of the brand.

***Brand management*** is the process of building, managing and improving a brand.

The origin of branding can be traced to ancient times, when specialists often put individual trademarks on hand-crafted goods. The branding of farm animals in Egypt in 2700 BC to avoid theft may be considered the earliest form of branding, as in its literal sense. As somewhat more than half of companies older than 200 years old are in Japan, (see: List of oldest companies), many Japanese businesses' "mon" or seal is an East Asian form of brand or trademark. In the West, Staffelter Hof dates to 862 or earlier and still produces wine under its name today. By 1266, English bakers were required by law to put a specific symbol on each product they sold. Branding became more widely used in the 19th century, through the industrial revolution and the development of new professional fields like marketing, manufacturing and business management. Branding is a way of differentiating product from mere commodities, and therefore usage of branding expanded with each advance in transportation, communication, and trade.

Over the decades as businesses and competition grew, in case of multinational corporations in particular, the growth of brands exploded. With economic growth and the technological advances of the later half of the 20th century in particular, various industries ranging from the areas of foods to pharmaceuticals to textiles to cars to electronics and many other registered impressive growth.

So, the main prerequisites of the doctrine of brand management are:

* Growth of industries attracted more players, who along with the existing ones felt the need to make their presence felt by way of differentiating their products from each other. Hence, the drive toward brand management got progressive impetus.
* The more competitive the markets became, the more they tried to get into the areas of distinction and differentiation and created conditions worthy of sophisticated management techniques. Hence, the emphasis on brand management became increasingly evident.
* The stronger the brands emerged, the higher the value they created for the company and led businesses into diversified areas, and hence, brand management became ever more obvious and sophisticated.

The modern discipline of brand management is considered to have been started by a famous memo at Procter & Gambleby Neil H. McElroy.

***Functions of Brand Management:***

While performing the core functions of brand management, brand managers:

• Develop long range competitive strategy for success of the brand. All tactical moves that form part of the strategy are formulated for execution by relevant personnel of the company.

• Prepare in coordination with sales personnel sales forecasts and dovetail the same into marketing plans and budgets. Sales forecasts serve as the basic denominator of all budgetary figures, which are divided and sub-divided into small pieces to be achieved by different personnel in different departments.

• Work with advertising and other related agencies (promotional and research) to develop advertising copy, communication strategies, and plans for execution of advertising and promotional campaigns.

• Stimulate support of the brand among the sales force and trade members (distributors, wholesalers, and retailers) through communicating lucidly all the rationale for brand plan.

• Gather intelligence on the brand's performance to see how the brand stacks up against competition, customer and trade attitudes develop and change, and new problems and opportunities arise. Identification of problems, their solutions and further improvements are part of the function that keeps brand managers busy for most of the time.

• Meet changing market needs through improving and initiating new products/brands. This function is an extension of the preceding one and, as mentioned, cannot be performed convincingly unless problems are identified and changing needs pinpointed.

Modern brand management also intersects with legal issues such as 'genericization of trademark.' The 'Xerox' Company continues to fight heavily in media whenever a reporter or other writer uses 'xerox' as simply a synonym for 'photocopy.' Should usage of 'xerox' be accepted as the standard English term for 'photocopy,' then Xerox's competitors could successfully argue in court that they are permitted to create 'xerox' machines as well. Yet, in a sense, reaching this stage of market domination is itself a triumph of brand management, in that becoming so dominant typically involves strong profit.

*Strategic framework for brand management:*

1. Identify and establish brand positioning and values.

2. Plan and Implement Brand Marketing Programs (including defining elements, using secondary brand associations).

3. Measure and Interpret Brand Performance.

4. Grow and Sustain Brand Equity.

***The three Cs of branding:***

A brand has to be nurtured. It takes time, thought and consistent application. But it does not have to take big budgets. It is a mindset that requires both discipline and

passion. It’s about caring for the big picture and the small detail. When managing your brand, keep the three Cs at the front of your mind.

*Credibility* A brand has been described as “everything you say and everything you do.” A credible brand will always align the way a business behaves with the way it is portrayed. This close connection will ensure that your customer’s instinctive reaction is one of trust and belief in your brand not one of doubt and uncertainty.

*Clarity* A strong brand is based on clearly defined values, that are important to yourcustomers and that differentiate you from your competitors. A clear understanding of these values throughout your business will ensure that they are communicated clearly through “everything you say and everything you do.”

*Consistency* The value of a brand comes through recognition and recognition comes from consistent application of every visible manifestation of your brand, at every ‘touchpoint’ that your customers experience.

*The purpose of brand management are:*

* The main aim of branding is to differentiate a company’s products and services from its competitors.
* Branding aims to convey a brand message vividly, create customer loyalty, persuade the buyer for the product, and establish an emotional connectivity with the customers and form customer perceptions about the product.
* Brand management plays a crucial role to form brands. The brand management strategies also provide good support to the brand so that it can sustain itself in long run.
* Also, through brand management, brands are managed and brand equity is built over a period of time. It helps in building a corporate image. Thus, only a competent brand management system can create a successful brand.

1. ***The value and benefits of the brand***

Branding is crucial to the success of any tangible product.

Branding involves researching, developing, and implementing brand names, brand marks, trade characters, and trademarks. It undoubtedly requires a significant contribution from marketing communications and is a long term exercise, but one that reaps long-term profitability.

In consumer markets, branding can influence whether consumers will buy the product. Branding can also help in the development of a new product by facilitating the extension of a product line or mix, through building on the consumer's perceptions of the values and character represented by the brand name.

Effective branding of a product enables the consumer to easily identify the product because the features and benefits have been communicated effectively.

Branding helps the manufacturer create loyalty, decrease the risk of losing market share to the competition by establishing a differential advantage, and allow premium pricing that is acceptable by the consumer because of the perceived value of the brand.

Branding enables the retailer to benefit from brand marketing support by helping to attract more customers (ideally ones who normally don't frequent the establishment).

If you think of a brand, what comes to mind? Coca-Cola, Virgin, Hertz, Orange? It’s easy to think of branding as being for the big boys with big bucks. But that’s not to say that only large corporates can play the branding game. Small companies really should be able to build strong brands too. They have every reason to be close to their market, to understand it well and to build the relationship that’s at the heart of every brand. But all too often, smaller businesses fail to take advantage of the opportunities that branding offers because of preconceptions about what branding really is.

1. A brand is just another word for a logo – and I’ve got one of those Your brand is far more than your logo, then – it is about the values of, and your vision for, your business; it is the personality of your business and the promise that it makes to your customers. Your brand values will define what your business stands for and will inform your decision making on many levels, from recruiting staff with the right attitude and approach to choosing the promotional methods that you use. Your brand reflects the way your business behaves and the way it portrays itself; your logo is just one of the ways your business makes itself visible.

2. Branding is just a bit fluffy, there’s no real substance to it. It’s true that brands appeal to the emotions ant that everyone will have an instant emotional reaction to your brand but that’s because the human brain is wired to react that way – and there’s nothing ‘fluffy’ about that. Anyone who ignores the impact of that instant reaction is missing the opportunity to connect with their customers at an instinctive level.

3. Brands are only for consumer products, they’re not relevant to my service business. Traditionally, brands are associated with consumer products but increasingly service providers understand the benefits of branding. With a product you have tangible benefits to sell but with a service there is nothing to see, taste or touch. Your customers can only make a judgment about your service after they have agreed to buy, which means you have to build a level of trust and confidence and this is much easier with a strong brand based on these values.

Branding helps create loyalty, decreases the risk of losing market share to the competition by establishing a differential advantage, and allow premium pricing that is acceptable by the consumer because of the perceived value of the brand. Good branding also allows for effective targeting and positioning. For example, Starbucks is a brand known its premium coffee. Starbucks has a loyal fan base due to its established global branding that communicates value.

Effective branding of a product enables the consumer to easily identify the product because the features and benefits have been communicated effectively. This will increase the probability that the product will be accessible and therefore purchased and consumed. Dunkin' Donuts, for example, is a brand that has an established logo and imagery that is familiar to most consumers. The vivid colors and image of a DD cup are easily recognized and distinguished from competitors. For seller branding helps create loyalty, decreases the risk of losing market share to the competition by establishing a differential advantage, and allow premium pricing that is acceptable by the consumer because of the perceived value of the brand. Good branding also allows for effective targeting and positioning. For example, Starbucks is a brand known its premium coffee. Starbucks has a loyal fan base due to its established global branding that communicates value.

***So, the main benefits of branding for the consumer are:***

* 1. Consumers can easily make a purchase decision based on brands. Consumers usually find brands which satisfy their need. By pressing the emotional buttons that appeal to you strong, recognizable brand will act as a ‘short cut’ in their decision making process. Instead of dithering over alternatives or meticulously comparing options where there is no clear point of difference, your customers can instantly select your brand – because they know what it stands for (creates a connection with the maker).
  2. Brands mean lower purchase risk to consumers as they are dealing with a product or organization that they trust (reduces risk: - functional (what it does), - physical (safety), - financial (not a rip off), - social (embarrassment), - psychological (affects mental health)).
  3. If the consumers recognize a particular brand and have knowledge about it, they make quick purchase decision and save lot of time. Also, they save search costs for product.
  4. Consumers see ‘brands’ as a symbol of quality and remain committed and loyal to a brand as long as they believe that the brand will continue meeting their expectations and perform in the desired manner consistently (sign of quality).
  5. Brands play a significant role in signifying certain product features to consumers.

***Benefits of branding for the seller (producer) are:***

1. A brand helps the firms to provide consistently a unique set of characteristics, advantages, and services to the buyers/consumers (give products unique associations, gain competitive advantage).
2. Brands help to protect the unique features/traits of products by legal copyrights (legal protection for unique features, protecting is from competitors).
3. Brand represents values, ideas and even personality and hence leads to an assortment of memories in customers’ mind and hence satisfied customers (becomes history which never will be forgotten.).
4. Brands form the basis of purchase decision among consumers and thus are a means of financial profits (receipt of additional profit).
5. It provides a platform for growth. A strong brand will act as a launch pad whenever you expand your business operations. Recognition of what a brand stands for can be transferred to new products and new markets much more easily than starting from scratch with each new development.
6. Facilitates going of company into new markets.
7. Bringing in of new investments.
8. Permanent improvement of all commodities of company.
9. Provides development of industry a company works in which.
10. Provides emotional connection with a buyer.

**LECTURE 2. TRADEMARKS AND TRADE TOKEN (SYMBOL)**

1. *Comparing the terms of “brand”, “trademark” and “trade token (trade symbol)”.*

*2. The concept of trademark.*

*3. The trademark process and rights conferred by trademarks.*

*4. The essence and protection of trade token (symbol).*

*5. Procedure of registration the trade token (symbol).*

1. ***Comparing the terms of “brand”, “trademark” and “trade******token (trade symbol)”.***

Active innovative activity is a major factor in accelerating scientific, technological and industrial development of the national economy. Innovation - is any change which introduce in own activities in order to improve its competitiveness in both domestic and foreign markets.

Brands are created through innovation and thrive in the presence of a continuous flow of innovations. This is because innovations cause a temporary competitive advantage. They cause consumers feel that the brand really is the leader and is aimed at meeting the needs of consumers.

The sequence of creating of product or service with using the innovation shown in Figure 1. So, brands can not exist without the goods or services, goods or services can not exist without innovation, companies can rapidly develop without constant generation of new ideas (innovation).



Figure 1. The chain creating of brand product or service

Today many people equate the concept of term “brand” and “trademark” that is wrong.

Brand is the desired result of develop the trademark and branding is a modern marketing concept, a set of techniques and methods that provide conversion trademark to brand.

A trade mark is a sign which can distinguish your goods and services from those of your competitors. It can be for example words, logos or a combination of both. The only way to register your trade mark is to apply to us - The Intellectual Property Office.

You can use your trade mark as a marketing tool so that customers can recognize your products or services.

If your organization is a market leader, the odds are very high that your competition and niche players in your market are infringing on some part of your marks. They may use similar wording to your product's name, emulate the colors you use in advertising, or put your logo on their web site as we mentioned at the beginning of this article. But they are not you! The wise information assurance manager will coach the intellectual property incident handling team to look out for these infringements and report them.

***2. The concept of trademark***

The modern marketing concept, a set of techniques and methods that provide conversion trade mark to brand

The complex graphic symbols and designs for identification of goods / services in the market and distinguish it from competitors' products

Procedures for registration, issuance of certificates

**BRANDING**

Acquisition of information

formation of brand image and stable associations with it, the development of loyalty

**Trade mark**

Registered token by which the goods and services of one person are different from the goods and services of others and for which a certificate was issued

**Trade token**

Well-known trade mark, which in the minds of consumers associated with certain expected benefits and values

**BRAND**

A trademark is a recognizable sign, design or expression which identifies products or services of a particular source from those of others. The trademark owner can be an individual, business organization, or any legal entity. A trademark may be located on a package, a label, a voucher or on the product itself. For the sake of corporate identity trademarks are also being displayed on company buildings.

Trademarks are used to claim exclusive properties of products or services. The usage of trademarks by its owner can cause legal issues if this usage makes him guilty of false advertising or if the trademark is offensive.

Trademarks can be owned, but also licensed. Many toy suppliers are licensees. For example:

Bullyland obtained a license to produce Smurf figurines.

The Lego Group purchased a license from Lucasfilm in order to be allowed to launch Lego Star Wars.

TT Toys Toys is a manufacturer of licensed ride-on replica cars for children.

The unauthorized usage of trademarks by producing and trading counterfeit consumer goods is known as brand piracy.

The owner of a trademark may pursue legal action against trademark infringement. Most countries require formal registration of a trademark as a precondition for pursuing this type of action. The United States, Canada and other countries also recognize common law trademark rights, which means action can be taken to protect an unregistered trademark if it is in use. Still common law trademarks offer the holder in general less legal protection than registered trademarks.

The term "trademark" is often used to refer to any type of mark that can be registered with the United States Patent and Trademark Office or USPTO. The two primary types of marks that can be registered with the USPTO are:

Trademarks that are used by their owners to identify goods, that is, physical commodities, which may be natural, manufactured, or produced, and which are sold or otherwise transported or distributed via interstate commerce.

Service marks that are used by their owners to identify services, that is, intangible activities, which are performed by one person for the benefit of a person or persons other than himself, either for pay or otherwise.

***A trademark may be designated by the following symbols:***

**™** (the "trademark symbol", which is the letters "TM", for an unregistered trademark, a mark used to promote or brand goods)

**℠** (which is the letters "SM" in superscript, for an unregistered service mark, a mark used to promote or brand services)

**®** (the letter "R" surrounded by a circle, for a registered trademark)

A trademark is typically a name, word, phrase, logo, symbol, design, image, or a combination of these elements. There is also a range of non-conventional trademarks comprising marks which do not fall into these standard categories, such as those based on color, smell, or sound (like jingles).

The term trademark is also used informally to refer to any distinguishing attribute by which an individual is readily identified, such as the well-known characteristics of celebrities. When a trademark is used in relation to services rather than products, it may sometimes be called a service mark, particularly in the United States.

The essential function of a trademark is to exclusively identify the commercial source or origin of products or services, indicates source or serves as a badge of origin. In other words, trademarks serve to identify a particular business as the source of goods or services. The use of a trademark in this way is known as trademark use. Certain exclusive rights attach to a registered mark, which can be enforced by way of an action for trademark infringement, while unregistered trademark rights may be enforced pursuant to the common law tort of passing off.

It should be noted that trademark rights generally arise out of the use of, or to maintain exclusive rights over, that sign in relation to certain products or services, assuming there are no other trademark objections.

Different goods and services have been classified by the International (Nice) Classification of Goods and Services into 45 Trademark Classes (1 to 34 cover goods, and 35 to 45 services). The idea behind this system is to specify and limit the extension of the intellectual property right by determining which goods or services are covered by the mark, and to unify classification systems around the world.

*Trade marks are not registrable if they:*

• describe your goods or services or any characteristics of them, for example, marks which show the quality, quantity, purpose, value or geographical origin of your goods or services;

• have become customary in your line of trade;

• are not distinctive;

• are three dimensional shapes, if the shape is typical of the goods you are interested in (or part of them), has a function or adds value to the goods;

• are specially protected emblems;

• are offensive;

• are against the law, for example, promoting illegal drugs; or are deceptive.

There should be nothing in the mark which would lead the public to think that your goods and services have a quality which they do not.

***Features of trademarks:***

1. *Trademarks send out strong signals*

They influence our purchasing decisions daily: trademarks give fresh impetus, trigger emotions, occupy market positions. Trademarks create distinctive features that allow distinguishing branded goods and services of an enterprise from the products offered by competitors. Trademarks are advertising tools: through words and pictures, shapes and sounds they provide useful orientation in the endless stream of communication messages. It is the trade mark that turns an anonymous product into a unique branded article – and sometimes, a few letters or a sign even become a legend.

*2. Trademarks create trust*

Every trade mark carries a promise of reliability of source and consistency of quality of a product, service or an enterprise. Trademarks stand for special properties. They appeal to the needs of consumers, convey values and communicate ideas, thus creating credible identities that build trust and lasting customer relationships. This way they ensure the competitive edge of a company. A strong trade mark converts every single communication measure into an investment that will generate lasting or even increasing market value. This opens long-term perspectives.

*3. Trademarks protect ideas*

“Any signs, particularly words, including personal names, designs, letters, numerals, sound marks, three-dimensional conﬁgurations, including the shape of goods or their wrapping as well as other packaging, including colours and combinations of colours, which are capable of distinguishing the goods or services of one undertaking from those of other undertakings may be protected as trademarks”. Today, trademarks are omnipresent. They can stand for a single product, for an entire product line or for an enterprise. Within the meaning of trade mark law, trademarks distinguish only speciﬁc goods and services.

*4. Trade marks safeguard assets*

In modern, ever faster changing markets, trademarks provide important orientation and decision-making conﬁdence to customers and consumer. They reduce purchasing risks and enable identiﬁcation with the products or services offered by a company. That is precisely why they are of inestimable value for the long-term success of a company. Strong trademarks help to build durable relationships between suppliers and customers.

*A trademark is any unique word, symbol, name or device used to identify and distinguish the goods of one seller from the goods of another--think Nike's swoosh, for example.* A trademark allows the seller to protect what's trademarked from use and/or misuse by competitors while building brand loyalty among repeat customers. Trademarks also help prevent confusion or manipulation of consumers, who come to associate distinct attributes--in particular, quality--with a distinct brand.

From a branding perspective, the following are assets that can be protected: logos, names, tag lines and packaging. However, these assets can only be trademarked if they meet certain qualifications. A word or phrase that's commonly used or already connected with another product or service in the same industry cannot be trademarked. For example, a generic term like "search engine" can't be trademarked, but a unique name, like Google, can be. However, if your name is generic but used in an industry not typically related to the meaning of the term, you may be able to trademark it. A good example would be Apple Computer.

As a general rule, you can trademark your business name if you use it when advertising directly to your customers. If you don't use your business name in direct communication with your customers, you probably can't, because you're not connecting your name to your brand and its attributes. If your business name will be a large part of your marketing, you should consider trademarking it.

Your logo and tag line are also good candidates for trademarks. The first litmus test: Is it unique? What makes a logo unique is the combination of the symbol with the company name, their spatial relationship and the logo's colors. If your tag line is a unique phrase, it can also be trademarked. Hallmark's "When you care enough to send the very best" connects a Hallmark brand attribute--quality--to its product. This tagline helps distinguish the Hallmark brand.

***3. The trademark process******and rights conferred by trademarks***

It's not necessarily expensive to trademark something. In the United States, whoever establishes priority in a mark is usually considered the owner of it. In other words, if you're the first company to use a unique mark to identify your products or services, you don't need to register your mark to gain rights to it. You must, however, add the trademark symbol, TM, to the mark you're claiming rights to. It's still not quite a substitute to registering a mark through the U.S. Patent and Trademark Office, which establishes ownership beyond a doubt.

Of course, all of this is dependent on the "uniqueness" of your mark. The internet is a good source for starting your trademark search. Visit free websites that display existing trademarks, like those maintained by USPTO, Secretaries of State or Yellow Pages online. Or, for a fee, go through an online trademark search company. You can also hire a private company or attorney to conduct detailed searches that include misspellings and alternate spellings. It's best to seek an attorney who specializes in intellectual property law.

*Trademarks can be registered at the state or federal level. State registrations are less expensive, but also offer less protection. Trademarks are often registered within one industry, but may be registered in more than one. Your best option depends on your geographic area of operation and scope of business. International protection is much more costly and difficult. It's also extremely complicated and expensive to enforce.*

If you file a trademark application with USPTO, it'll ensure no other trademarks similar to yours currently exist. This process can take months. Do your homework, because if your mark closely resembles someone else's, your application will be denied.

*Keep in mind that the more you differentiate your brand from others in your industry, the easier it'll be to protect. Choose a name and logo that distinctly identify your business and will protect it from competitors.*

Trademark rights are established from either the actual use of the mark, or by applying for trademark registration and formally claiming your intention to use your mark for business. Federal trademark registration is not required to establish rights on your mark, nor is it required to begin using your mark.

There are two related but distinct types of rights in a mark: the right to register and the right to use. The first person to either use a mark in commerce or files an application generally gains the right to trademark registration.

Trademark registration can provide significant advantages to a party involved in a court proceeding. The USPTO determines who can register. However, the right to use a mark can be more complicated to figure out. Two parties could begin using the same or similar marks without knowledge of one another and neither applied for trademark registration. Only a court could decide the right to use, with an injunction stopping one party from using the mark, and a settlement for damages caused by trademark infringement.

Trade mark protection usually arises from the entry of the sign in the register kept by the German Patent and Trade Mark Ofﬁce. It gives you the right to prohibit others from using an identical or confusingly similar sign in trade as a mark. Entry of the trade mark in the trade mark register makes it easier for you to enforce your legal claims to the trade mark. The registration certiﬁcate and the register extract are proof that you are entitled to the registered trade mark. The trade mark registration gives you a means to act against any unauthorised person who infringes your rights. In case of wilful or negligent infringement of your trade mark rights, you can seek injunctive relief or may be entitled to damages. Unlawfully marked objects may also be seized and destroyed by customs authorities when the unlawfully marked goods are imported or exported. In business life, you may choose to use the ® symbol with registered trade marks. This indicates to others that the sign is a registered, protected trade mark.

***A registered trade mark:***

* may put people off using your trade mark without your permission;
* makes it much easier for you to take legal action against anyone who uses your trade mark without your permission;
* allows Trading Standards Officers or Police to bring criminal charges against counterfeiters if they use your trade mark;
* is your property, which means you can sell it, franchise it or let other people have a license that allows them to use it.

If you don't register your trade mark, you may still be able to take action if someone uses your mark without your permission, using the common law action of passing off.

***To be successful in a passing off action, you must prove that:***

* the mark is yours;
* you have built up a reputation in the mark;
* you have been harmed in some way by the other person's use of the mark.

It can be very difficult and expensive to prove a passing off action.

If you register your trade mark, it is easier to take legal action against infringement of your mark, rather than having to rely on passing off.

***4.******The essence and protection of trade token (symbol).***

**Trade token (symbol)** is registered token by which the goods and services of one person are different from the goods and services of others and for which a certificate was issued. A trade symbol may be located on a package, a label, a voucher or on the product itself. For the sake of corporate identity trademarks are also being displayed on company buildings.

A trade symbol provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services, or to authorize another to use it in return for payment. The period of protection varies, but a trademark can be renewed indefinitely beyond the time limit on payment of additional fees. Trade symbol protection is enforced by the courts, which in most systems have the authority to block trademark infringement.

In a larger sense, trademarks promote initiative and enterprise worldwide by rewarding the owners of trademarks with recognition and financial profit. Trade symbol protection also hinders the efforts of unfair competitors, such as counterfeiters, to use similar distinctive signs to market inferior or different products or services. The system enables people with skill and enterprise to produce and market goods and services in the fairest possible conditions, thereby facilitating international trade.

The tm symbol represents an unregistered trademark. The sm symbol represents an unregistered service mark. Both are informal notification that there is a public claim as a trademark/service mark.

The registration symbol ® tells the public that the mark is federally registered and protected. Using the ® without being federally registered would be fraud.

To register a trademark you must already by using it in recognized commerce. Trademarks can give you either local, state, nationwide or international rights.

Your trademark cannot be the same as or similar to an existing mark used on similar or related goods or services. Your trademark cannot be generic or lack distinctiveness.

The following types of trade symbols:

 verbal (clear signs, they are easily memorable, easily pronounced, translated into various languages);

 figurative (they can be art, graphics). They are embodied in the pictures, drawings;

 volumetric (this can be a form of the product or its packaging). For example Coca-Cola bottle, perfume bottle;

 sound (this kind of character is more common for radio and television). For example in advertising instant coffee, "Nescafe" has two registered trademark sound: basic musical expression and rhythmic tapping with a spoon in a cup;

 combined (a simultaneous combination of different types of trademarks);

 service marks (they are used in services). Their goal - to distinguish the services of companies that provide them. These marks are used by airlines, hotels, refueling;

 collective trademark (a trademark of a business combination is intended to distinguish different association with each other). Collective marks are owned by an association whose members use them to identify themselves with a level of quality and other requirements set by the association. Examples of such associations would be those representing accountants, engineers, or architects.

Certification marks are given for compliance with defined standards, but are not confined to any membership. They may be granted to anyone who can certify that the products involved meet certain established standards. The internationally accepted "ISO 9000" quality standards are an example of such widely-recognized certifications.

In Ukraine protection of trade symbols is provided by the Law of Ukraine "On Protection of Rights to Trademarks for Goods and Services", the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks.

Establishing a strong brand is pivotal to business success. Protecting that brand is equally important. Yet many small businesses overlook an important first step in securing their brand: trade symbol.

Many famous trademarks that started out as unregistered brand names. As sales for these brands grew, the parent companies registered these names as trade symbol. FindLaw lists brands that are still around today, and the date they were registered with the U.S. Patent and Trademark Office. Some examples include Coca-Cola, which was registered as a &amp;quot;nutrient or tonic beverage&amp;quot; in 1893. Ford&amp;#039;s trademark for &amp;quot;explosive-engines and their parts&amp;quot; was registered in 1909.

The protection of trade symbol in the United States dates to 1788, when they were recognized as legal property. In 1905, trade symbol were further protected under interstate commerce provisions.

First, an application for registration of a trademark must be filed with the appropriate national or regional trademark office. The application must contain a clear reproduction of the sign filed for registration, including any colors, forms, or three-dimensional features. The application must also contain a list of goods or services to which the sign would apply.

Finally, the rights applied for cannot be the same as, or similar to, rights already granted to another trademark owner. This may be determined through search and examination by the national office, or by the opposition of third parties who claim similar or identical rights.

Almost all countries in the world register and protect trademarks. Each national or regional office maintains a Register of Trademarks which contains full application information on all registrations and renewals, facilitating examination, search, and potential opposition by third parties. The effects of such a registration are, however, limited to the country (or, in the case of a regional registration, countries) concerned.

In order to avoid the need to register separately with each national or regional office, WIPO administers a system of international registration of marks. This system is governed by two treaties, the Madrid Agreement Concerning the International Registration of Marks and the Madrid Protocol. A person who has a link (through nationality, domicile or establishment) with a country party to one or both of these treaties may, on the basis of a registration or application with the trademark office of that country, obtain an international registration having effect in some or all of the other countries of the Madrid Union.

***5. Procedure of registration the trade token (symbol).***

While a trade mark registration could potentially afford a proprietor a monopoly of a trade mark for an unlimited period of time, such statutory protection is not intended to enable a proprietor to simply "squat" on the register or "hijack" the mark of a competitor. Along with such monopoly comes the obligation to put the trade mark to genuine use, failing which the owner of a registered trade mark would run the risk of losing the trade mark registration which he or she would have spent considerable time, cost and effort securing.

First, an application for registration of a trademark must be filed with the appropriate national or regional trademark office. The application must contain a clear reproduction of the sign filed for registration, including any colors, forms, or three-dimensional features. The application must also contain a list of goods or services to which the sign would apply. The sign must fulfill certain conditions in order to be protected as a trademark or other type of mark. It must be distinctive, so that consumers can distinguish it as identifying a particular product, as well as from other trademarks identifying other products. It must neither mislead nor deceive customers or violate public order or morality.

Finally, the rights applied for cannot be the same as, or similar to, rights already granted to another trademark owner. This may be determined through search and examination by the national office, or by the opposition of third parties who claim similar or identical rights.

Procedure for registration of a trade mark as follows:

1. Submission of an application to the Patent Office (person or through a patent attorney) with simultaneous payment of fees for the filing and examination. The application must be made in the prescribed form.

2. The Office shall decide on the establishment date of priority of rights on the symbol. This date is usually set on the date of filing. This decision is sent to the applicant within one month from the date of receipt of application. After that, he may place alongside the trademark the symbol TM, which tells you that the sign is in the process of registration.

3. Examination of the application. If the office of any reason intends to refuse the application , within two months after this decision only applicant has the right to amend the application so that the application was adopted. Term of the examination is not legally restricted.

4. The decision about registration of the symbol taken by result of examination and sent to the applicant.

5. The applicant shall pay the fee for issuance of the certificate within three months after receipt the decision. If it does not, the application is considered withdrawn.

6. Within three months after the payment the Office shall publish the decision about registration of the symbol and bring the symbol of the State Register. After that the applicant has the right to place a symbol next to the icon ®.

7. The applicant receives the certificate on symbol. Validity of the certificate is 10 years old. Then, this period may be extended once again, each time for 10 years. Rights which arising out of a certificate on symbol is valid from the date of submit the application but not the date of its registration.

*Summary*

A trademark is either a word, phrase, symbol or design, or plural combination, which identifies and distinguishes the source of the goods or services of one party from those of others.

A service mark is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product.

Some well know trademarks are; Got Milk?, Channel No.5, Popsicle, Calvin Klein, the Pillsbury Doughboy figure, the shape of a Coke bottle, the sound of the NBC chimes and the graphical image of the NBC peacock.

The tm symbol represents an unregistered trademark. The sm symbol represents an unregistered service mark. Both are informal notification that there is a public claim as a trademark/service mark.

The registration symbol ® tells the public that the mark is federally registered and protected. Using the ® without being federally registered would be fraud.

To register a trademark you must already by using it in recognized commerce. Trademarks can give you either local, state, nationwide or international rights.

Your trademark cannot be the same as or similar to an existing mark used on similar or related goods or services. Your trademark cannot be generic or lack distinctiveness.

An applicant is not required to conduct a search for conflicting marks prior to applying, the USPTO will do one. If they find a same or similar trademark, your application will be dismissed without a refund.

You register your trademark by submitting an application with the USPTO. Merely submitting an application does not guarantee registration.

Your application will consist of a hard copy or electronically filled-in form, the appropriate fee, a drawing of the mark to be registered and specimens of use of the mark.

The minimum cost for applying for registration of a trademark is $325 for a single class. Average costs are between $1000 to $2000 with a lawyer.

You should start using the TM or SM symbol right away with your trademark, even before you apply for federal registration.

Seek the advice of an attorney for any questions you may have before submitting your trademark application, due to possible complications that could arise if you do it yourself without the proper knowledge or experience.

**LECTURE 3. METHODS OF CREATING A STRONG BRAND**

1. *Brand manifestations.*

*2. The rules for creating and principles of successful branding.*

*3. Cycle of creation a brand.*

*4. Managing the brand.*

1. ***Brand manifestations***

When people hear your name, they conjure up a set of impressions that influence how they think and buy. Those thoughts define your brand.

Your brand resides in your customer's mind as a result of all the impressions made by encounters with your name, your logo, your marketing messages, and everything else that people see and hear about your business.

Something as basic as your business address contributes to how your brand is perceived. For that matter, every time someone walks into your business and looks around, visits your Web site, meets an employee, or glances at your ad, that person forms an impression that leads to a mind-set about your business.

You can have a powerful brand without having a power brand. Levi's is a power brand. It's more powerful than Wrangler, Lee, or Guess. All are brands. All convey an identity and a promise. But one is known internationally and by all age and demographic groups, whereas the others have a more narrow influence and, therefore, less marketing power. The power of your brand comes from the degree to which it is known.

Your small business probably will never have a globally recognized "power brand" simply because you don't have (and for that matter don't need) the marketing horsepower that would fuel that level of awareness.

But you can be the most powerful brand in your target market. All it takes is

* Knowing the brand image that you want to project
* Having commitment and discipline to project your brand well
* Spending what's necessary to get your message to your target market
* Managing your marketing so that it makes a consistent impression that etches your desired brand image into the mind of your target prospect

With a well-managed brand, your company hardly needs to introduce itself. Within your target market, people will already know your business, its personality, and the promise you make to customers — all based on what they've seen and heard through your marketing communications.

Without a well-managed brand, you'll spend up to half of every consumer contact trying to introduce your business and make your case, while some well-known Brand X down the street can spend that time making the sale.

Without a brand, you have to build the case for your business before every sale. Doing that is tough work in person and even tougher work online, where you can't be there to make introductions, inspire confidence, counter resistance, or break down barriers.

***Functions of brand:***

*Distinguishing function* is function of brand which provides to distinguish the goods or services of one producer from those goods or services from another manufacturer.

*Informative function* provides that brand submit information about the manufacturer, the qualitative characteristics of the goods or services of the product.

*Advertising function* of brand is to promote sales of products. A trade token is subject to advertising and it is used in all visual manifestations: on the product and its packaging, signs, newspaper advertising, bulk souvenirs, publications, exhibition design and retail space.

*Protective function* of brand provides the exclusive right to its use, which is guaranteed by the owner of the state. Its purpose - to protect the interests of producers and consumers against unfair competition.

*Warranty function* of brand shows that the trade token symbolizes the stability of quality characteristics and properties of the product. Trade token provides a high demand for goods and services, and manufacturer to maintain demand must a constant to ensure their high quality.

*Psychological* *function*  of brand implies that a well known trade token creates in consumer belief that this product is the best in quality and thus draws attention to it.

People are buying everything online — from contact lenses to cars — without the benefit of demonstrations or test-drives. Why? Because customers arrive at e-businesses with confidence in the brands they are buying. If they don't see a brand they know, the odds of the online purchase occurring plummet. But if they see a brand they know and like, then they'll check the price and terms, make their selection, and purchase the product.

To manage your brand as an asset, full of value and power, you must understand a few fundamentals that form the basis of brand asset management. Armed with that understanding, you, as brand managers, will do your job right only if you understand brands correctly.

The following four fundamentals will allow you to develop with ease and consistency the ability to build different strategic steps involved in creating a brand or refreshing an existing one.

* ***1) Dimensions.***
* ***2) Characteristics.***
* ***3) Levels.***
* ***4) Brand owners’ commitment.***

1. For comprehension of a ***brand’s dimensions***, three models are fundamental to any discussion about the subject. That is the first and the foremost thing you have to keep in your mind. Those are:

* *Brand identity.*
* *Brand image.*
* *Communication.*

*Brand identity*: Brand identity is what a company transmits about the brand to the market place. Identity has many components – the name, the packaging, the colors, the typestyle, the logo, and a host of other factors that comprise its personality. The personality of a brand should be created for it to get expressed in terms of well-defined characteristics. For example, reliable, friendly, durable, and serious etc.

What is most important here is that the company must be able to express the real essence of the product to the target market. Any product, however high on the quality and reliability grid, may not exploit its full potential if it is not expressed right by way of creation of the right compatible personality.

If a brand is to be registered in the minds of consumers as “durable”, then the whole identity has to revolve around the aspects of durability. You must not develop a package and related components that convey a sense of “fashionableness”. That will be contrary to the personality/identity of the brand.

*Brand image*: Brand image is a term used very loosely by people outside the sphere of marketing. Changing the image is a favorite topic while discussing brands under distress. But image is not something that can be changed or transformed with the speed we change a color on the drawing board.

Brand image follows identity. It is a reflection of what we projected to send to the public. Managers must be clear about what they want to send and how they want it received. Brand image, then, is something that builds into the minds of the consumers.

To what extent that image is in line with the identity created by the company is the greatest challenge for brand managers! The more the managers can have the market imagine their brand’s identity the way it is intended to be imagined, the more successful they are in their effort. If there is a gap between the identity and the image, then there is a need for corrective action.

Companies’ efforts to build the right image span so many different means of communication of which brand’s own appearance is a part. Brand image, therefore, is the totality of information, advertising, promotions, and other brand manifestations that the consumer has seen and received about the brand over a period of time. It is, in other words, his experience with the brand modified by certain perceptions, previous beliefs, biases, social norms, and a level of forgetfulness.

Due to a finite level of information retention in human mind coupled with the fact that other variables mentioned above modify perceptions, the image on the consumer’s side may not be 100% identical with the identity. The reasons can be clarified with the help of the following explanations:

Your inability to continuously advertise may become one factor putting your brand out of the mind of the consumer.

Your bias about the origin (from a certain geographic area) of the product may change the product’s image in your mind.

Your beliefs about the way a product should or should not be used may affect product’s image.

*Communication:* The vehicle that transmits brand’s identity to the target market for creation of the right image is communication. To ensure that image remains as close to identity as possible, companies get into communications of different kinds. This is where brand communication takes an important stage. Correct communication goes a long way in creating and building brand identity.

In the words of Philip Kotler, “communication is an interactive dialogue between the company and its customers that takes place at the pre-selling, selling, consuming, and post-consuming stages”. This implies that communication is a recurring process that starts before you buy (advertising, promotions, and other), remains in force while you buy (the brand itself communicates), and does not end even after you have consumed the brand (brand’s ability to satisfy you keeps reminding you of being loyal to it). It goes on and on.

1. ***Brand characteristics*** fundamentally relate with the value brands offer their customers and create for their companies. Value being at the heart of brands’ characteristics necessitates that brands be managed accurately.

The level of accuracy in brand management is reflected by the power brands have. A higher level of power undoubtedly mirrors a higher level of accurate brand management.

Value and power are not a guarantee that brands will not be attacked. Competition will attack your brand by trying to dislodge it or snatch market share from it. The battle will never stop. The question arises, “how to bring in accuracy into brand management in a way that brand’s characteristics get enhanced under competitive challenges and threats”? Competitive pressures threaten brands’ success and even existence.

Given all that, brands become so very essential to the survival and success of business firms that we need to understand them in all their complexities, so that we can manage them correctly.

A very strong argument put forward by world renowned consultants, McKinsey is that companies need to win the right to brand their products. This simply means that branding is just not about wrapping your product into a nice package and selling that in the hope that you have turned the product into a brand, which is not going to face any pitfalls and rather is going to be profitable and powerful, straightaway – NO! To have the right characteristics, brands have to be subjected to a certain criteria, the consultants have concluded.

The consultants claim that in order to win the right to brand, a company has to meet the following vital criteria:

*The brand must offer a superior value proposition*

*The brand must deliver the superior value*

*The brand must maintain a relationship with its customers.*

If a brand meets the above criteria in all senses, then it can be defined as the one having the right characteristics. The criteria to create and maintain brands are so well-meaning that any company operating outside of them does not have the right to do branding.

This can be further elaborated as follows:

Brand management is a strategic process and involves complete company effort beyond the functional boundaries of the marketing department. And, therefore, offering value is a function and commitment of the whole company.

The company must have all its resources at work to deliver superior value, which must be defined in consumer terms. Exactly how the company delivers value varies from company to company. It could be superior technology, lower cost, strength in distribution, history of the brand, and creative advertising. Anything defined in consumer terms will automatically translate into something valuable for the company as well.

The brand must have a continuing relationship with the customers, and the brand must adapt to changes in response to fierce competition yet meaning the same to its loyal customers.

Brand characteristics offer us an opportunity to explain what brand value means to consumers and how a brand creates that value. Bear in mind that brand value is at the center of brand’s characteristics.

The consumers must feel that they are getting full value for the money spent in terms of quality. The value has to be more than the generic product. Right branding adds value to the product. Reconsider the definition of brand management.

They must feel that the purchase of a certain brand has optimized their decision of buying the best brand in the category. It is a subjective value, but nonetheless should be created.

They must get confirmation of the self-image that they present to others.

They must get satisfaction out of the attractiveness of the brand.

They must get satisfaction from the responsible social behavior of the brand in terms of ecology and other ethical issues.

A brand also creates value for the company.

A strong brand works in the same way for the company as for the consumers. It assures the following:

*Good future sales*

*Good future earnings*

*Good future cash flows*

*Source of good future demand and lasting attractiveness*

*Strong entry barrier to competition*

*Carries its value into other markets - local as well as international*

*Carries its value into other business categories i.e.,* new product areas and, hence, offers economies of scale in advertising, promotions, and other marketing-mix variables

1. ***Layers/levels of brands***. Brands are offered in lines, mixes, stretches, and extensions. Behind every form of a brand are strategic considerations. Such considerations form brand architecture, which is a topic of detailed discussions in lectures on brand extension and brand architecture.

It owes to strategic considerations that brand managers decide whether a brand should form a product line as a stand-alone brand, a company-name brand, designer-name brand, or an extension/stretch of an existing brand name.

The decision to name a brand into any one of the above-mentioned classifications has one fundamental common to all – the relationship between a product and a brand. An understanding into developing that product-brand relationship leads you to build up the right branding strategies. This implies you will then be able to define different layers of brands .

1. ***Commitment of top management*** (Brand owners’ commitment). We are clear how brands create value for the consumer and the company. We must also look into how a brand generates its own value to be able to create value for its two beneficiaries, namely the consumer and the company.

Actually, a brand does not generate its own value; it is the commitment and quality of brand management that builds up value of a brand over the years.

Companies that believe in continuously maintaining value of their brands and adding further value to them are the ones that view brand management as strategic objective and never lose sight of that goal.

1. ***The rules for creating and principles of successful branding***

***The rules for creating a successful brand:***

1. Define why you're in business.

What does your business do? How do you do it better than anyone else?

Put into writing the reason that your business exists and the positive change you aim to achieve.

2. Consider what you want people to think when they hear your name.

What do you want current and prospective employees to think about your business? What do you want prospects, customers, suppliers, associates, competitors, and friends to think?

You can't be different things to each of these different groups and still have a well-managed brand. The brand image held by each of these groups has to synch into one identity — one brand — that people will trust and believe.

3. Think about the words you want people to use when defining your business.

Ask your employees, associates, and customers this question: When people hear our name, what images do you think come into their minds?

If everyone is saying the same thing — and if those words are the words you want associated with your name — you have a well-managed brand. If gaps occur, you have your brand-management work cut out for you.

List words that you want people to link to your business and be certain that you live up to that desired image. Then lead people to the right conclusions by presenting those characteristics — that brand image — consistently and repeatedly in your marketing communications.

4. Pinpoint the advantages you want people to associate with your business.

Figuring out these benefits helps you land on the advantages you want to communicate in your marketing communications. It also leads to your definition of the position you want to own in the consumer's mind.

5. Define your brand.

Look at your business through a customer's or prospect's eyes as you define your brand. What do people say — and think — about your business? Why do they choose your business and prefer to buy from you again and again? How would they define your brand?

• Boil your findings down to one concept — one brand definition — that you honestly believe you can own in the minds of those who deal with your business.

6. Build your brand through every impression that you make.

Clarity and consistency are key to getting it right -- each and every time!

A well-managed brand creates a strong emotional connection, and a strong emotional connection fosters loyal customer behavior. Protect and project your brand through every representation of your business in the marketplace.

7. Create the right tagline. Spend a full day with three or four of your top team members talking about how you want to be perceived in public. What is the emotional reaction you want your audience to have when engaging the brand and what do you want them to remember? Develop your tagline based on this discussion.

8. Stand out from the crowd. Think about who your audience is. What are your top competitors doing in terms of their site look and how they are expressing themselves? Look for some core commonalities, and simultaneously prepare to identify where you can innovate and differentiate.

9. Develop your company culture. And then do all your hiring and your onboarding with this culture in mind. Don’t bring on people who could destroy client relationships you spent months or years to cultivate. Miller Felpax CEO, Steve Blue, points out in his book “The Ten Million Dollar Employee” that it only takes one customer’s bad experience with one bad employee to sabotage a multimillion-dollar investment.

10. Be patient with your brand. Take on every new outreach initiative with care. Think of it as your baby. Just as you wouldn’t start feeding solid food to a 3-month-old, don’t rush any of your outreach activities, whether they be PR, advertising, or marketing materials.

11. Be consistent. Think of your outreach as being interconnected, like a body. The brand is the brain. Public relations, advertising, marketing, and sales are all extensions of that brain, and they must be coordinated and aligned. The copy, design and language your team uses is must always be based off of the brand. If possible, don’t use multiple designers or multiple copywriters. Find people who capture the essence of your brand and use them consistently.

12. Get help. Branding isn’t easy. If it were, there would be a much greater number of stronger brands in the small business community. The reason the Nike’s, Lexus’s, and Target’s of the world can have strong brands is because they have the dollars to spend on it. But they weren’t always conglomerates; if they can achieve brand success, so can you. First, you have to nail down step one: your brand! A professional can take you through the process so you see things more clearly, get a different perspective, and go about branding in a way that will allow you to reach your market more efficiently.

13. Put people first. The brand is more than the company. It is the executive team’s and the individual employees’ personal brands as well. People do business with people. A strong CEO brand, executive brand, or personal brand helps build a positive reputation overall. Nearly everyone prefers working with businesses that are people-oriented and actually care about their customers. Be that company by embodying a people-first attitude in all that you and your employees do.

*There are a number of principles of successful branding:*

1) The quality of the product should always meet the expectations of the buyer.

2) In the concept of the brand must be powerful emotional component.

3) The concept of the brand should be consistent. If a product positioned as a prestigious and expensive, it is not necessary to use discounts and sales.

4) Coherence. Find the key promise. Think hard about what you'r really selling to you costumer. The answer is not allways the product in the box. It may be the corporate brand promise on the box - that promise that tells customer why they should put faith in the company and its product.

5) Consistency. Take a long-term view. Branding, like R&D, is a long-term exercise and deserves thoughtful, long-term attention.

6) Differentiation. Stand out from the crowd. The companies that get noticed are the ones that stand for something unique.

7) Credibility. Be true to your organization. A powerful brand can only build on a credible foundation.

8) Integration. Align your organization. Support a consistent brand definition in each way you interact with your key audiences.

1. ***Cycle of creation a brand***

If you are ready to brand yourself or your business, you need to have a clear understanding of what developing a brand actually involves before you really get started. Cycle of creation a brand has next steps:

1. *Description of initial ideas.*

The purpose of the existence of the brand for the company(bring additional income, to protect against aggressive actions of competitors, to take a new segment, enter a new segment and win it competition, strengthen the position of an existing brand by expanding into new segments, neutralize the seasonal variations of the main brand);

Differentiation, so the benefits of the brand over its competitors (unique equipment, access to unique resources, ownership of patents or technology, the experience of creation of such goods, the presence of a professional team, new packaging, a large number of modifications of goods);

Description of the target market.

Financial and marketing objectives of brand.

Also in the first stage the decide questions about what you’re going to brand, are you branding a product, a service, a company, or an individual?

1. *Your research.*

First, find out everything there is to know about your market. Then, find out everything there is to know about your product or service.

Position your product or service. Find and win a place for your offering in the marketplace and in consumers’ minds by providing unique solutions to problems or needs that aren’t already being addressed by competing products.

1. *The development of the concept of brand*

Write your brand definition. Your brand definition describes what you offer, why you offer it, how your offering is different and better, what unique benefits your customers can count on, and what promise or set of promises you make to all who work with and buy from your business.

Develop your name, logo, and tagline. Your name is the key that unlocks your brand image in your consumer’s mind. Your logo is the brandmark or symbol that serves as the face of your brand. Your tagline is the memorable phrase that provides consumers with a quick indication of your product, brand, and market position.

1. *Testing brand* (test ideas against the expectations of consumers, checking for compliance developed the brand concept, the collection and analysis of information, the formation of task completion).
2. *Manage, leverage, and protect your brand.*

This is the “care and feeding” phase of the branding process; it’s the step that leads to a strong, healthy, resilient brand. Just like good parenting, good branding management can be summed up in a single word — consistency.

1. *Transfer the brand to employees.*

Development activities and training to help all employees understand the brand strategy.

1. *Introduction brand.*

Develop programs to promote brand and direct its output to market. Your brand goes public when you unveil your name, logo, and slogan, and when you begin to tell your market the story of how your brand reflects what you stand for.

1. *Analysis and correction.*

Occasionally, you can (and should) change how your brand is presented. From time to time, you need to update your brand presentation (the face of your brand) to keep it relevant to the market in which it lives.

*Budgeting for a Brand*

A brand can cost as much or as little as you like. If you keep it simple, it can be confined to the cost of the time you spend creating it and getting your staff to work with it. These are the things you could budget for:

• Your time and the cost of your staff's time.

• Reworking your company's stationery, signage and packaging.

• Design and printing of sales-support material.

• Advertising and PR.

• A branding agency to create and manage the brand for you.

Even if you go no further than the first point and bring stationery and sales support material into line with your branding as you replenish them, you should feel some benefit over time.

Formation brand takes on average at least 2 years and should cost from $ 5 million.

1. ***Managing the brand***

A brand will not work instantly — it will develop strength over time as long as your business consistently communicates and delivers your brand values to customers. Keep all your staff involved in your brand and your business. As your staff will be responsible for delivering the brand, they all need to feel a part of it and believe in it. Discuss your brand values regularly with your staff so they are clear about them. Encourage them to offer suggestions to improve your systems so the brand values can be more easily delivered.

Monitor your customers' response to the brand regularly and continually review how your brand values are communicated to them. Get regular feedback from friendly customers and find out if what your business is doing for them matches the expectation your brand creates. Ask dissatisfied customers or former customers too — you learn useful lessons about your brand through honest criticism.

Regularly review your products, services and systems to make sure they efficiently back up your brand message. For example, if freshness is one of your brand values, are there ways you can deliver the product even more quickly?

Once the brand is developed within your own business and your existing customers, you can use it to attract new customers. Use your core competencies to show the benefits of your business to potential customers. Show what your business can do for them, not just what you do.

Make sure every communication with potential customers is also consistent with your brand values. Advertisements and sales literature to potential customers must be visually and emotionally consistent with what you provide to existing customers.

A successful brand can offer opportunities for a business to grow. However, if you are introducing new products or services, you must make sure they are consistent with your existing brand values.

Stretching a brand too far reduces its strength and can damage it. If you are introducing new products or services, consider carefully if they fit with your core competencies and brand values. If they do, brand them in the same way as your existing products and services so they benefit from your existing branding. If they don't, you should consider branding them separately.

If your new products or services remain within your core competencies but not your brand values, you can consider a diffusion brand. A diffusion brand is a different message with its own identity tied to your existing brand. For example, an insurance company's core competence is getting things put right after they go wrong.

Remember that any problems with a diffusion brand will also damage your main brand, so treat the diffusion brand with similar care. If your new products or services fit neither your core competencies nor your brand values, you must brand them separately.

*The Golden Rules*

Creating and running a brand is not a black art. Once it has been created, following some simple rules should ensure its continued effectiveness.

Always think about what your business achieves for your customers and structure your business to achieve it. Be focused on your customers' needs, but never let your customers dictate to you. It is your brand, not your customers'. If you change your brand values just for one customer, you will damage your brand. Do every- thing you can to make sure that the brand message is delivered consistently.

From company letterhead to the way the phone is answered, your customers should always feel that you are providing them with exactly what your brand promises.

Keep your staff involved with your brand. More than anything else, your employees will be responsible for making the brand work. Make sure that everyone believes in it and encourage and take notice of any suggestions they may make to improve the delivery of the brand message.

Meet and exceed what your brand promises to customers. Failing to deliver a brand promise just once will damage your brand. Delivering your brand promise — and doing it better than your customer expects — will strengthen your brand.

**LECTURE 4. BRAND EQUITY**

*1. Brand value and power.*

*2. The concept of brand equity.*

*3. Building and managing of brand equity.*

*4. Managing the brand.*

1. ***Brand value and power***

The more successful a brand, the higher value it carries and more equity it enjoys. To learn what is brand equity and how to create it through a brand management process is the objective of this lecture?

Brands, whether grown organically or through acquisitions, have to generate revenues, profits, and net earnings to make businesses viable. The ability to generate financial results rests at the core of brand value and power. It is because of this value and power that brands must be sustained.

Level of value and power differ for different brands. All brands are intended to become great in terms of value and power. Some succeed and some do not.

To achieve a high level of value and power, marketing and brand managers have been working to create home in the minds of their consumers. With the rise in importance of brand management, they have become more and more convinced that the real value of brand is driven by how dear consumers keep a particular brand to themselves. The endearment drives value and value in turn translates into brand power and brand equity.

Before understanding what brand equity is, let's see how varying levels of brand value and power relate varying levels of market leadership and, hence, brand equity. This implies that different levels of power offer different levels of brand equity. The more the power, the higher is the equity and vice versa.

The following pieces of evidence of strong brands were put together by Peter Doyle (1989) from the largest database of business results in the world - Profit Impact of Market Strategy (PIMS).

o Brands with a market share of 40% generate 3 times as much ROI as those with a share of only 10%. A higher share means higher volumes that offer scale economies and, hence, lower costs. Cost optimization on all fronts lead to better margins and returns. o For UK grocery brands, the number 1 brand generates over 6 times the return on sales of the number 2 brand, while number 3 and 4 are unprofitable. Higher returns on part of the number 1 brand again owe to lower costs, optimum outreach, availability and better sales.

o For US consumer goods, the number 1 brand earned a 20% return; the number 2 armed around 5% and the rest lost money for the same reasons as cited above. o Small brands can be profitable. A strong brand in a niche market earns a higher return than a strong brand in a big market. An interesting finding, it leads us to believe that concentration on a niche market keeps all variables of marketing mix focused, efforts economical, and returns high no matter the volume may remain small. Managing a strong brand in a huge market, however, demands spread out efforts, more resources employed, but lower returns no matter the volume may remain big. Bear in mind that not all markets offer the opportunity to operate in a niche. Therefore, this finding is not to be misunderstood with not trying to build your brand in a huge market. These findings explain why companies want to lead by having strong brands with very high share of the market. The stronger the brands, the lower the costs, the larger the returns, and more the power the brands enjoy. Strong brands are assets and enjoy value that far exceeds the value of those fixed assets that produce them. Brands, therefore, have to be managed like vital assets.

1. ***The concept of brand equity***

A brand is a name or symbol used to identify the source or product. When developing a new product, branding is an important decision. The brand can add significant value when it is well recognized and has positive associations in the mind of the consumer. This concept is referred to as brand equity.

When a commodity becomes a brand, it is said to have „equity‟. It starts with a name and can go up or down depending on the marketing activity that is done by the marketer. A name becomes a brand when consumers associate it with a set of tangible and intangible benefits that they obtain from the product or service.

**Brand equity** is the tangible and intangible value that a brand provides positively or negatively to an organization, its products, its services, and its bottom-line derived from consumer knowledge, perceptions, and experiences with the brand.

This definition hits the three main points that define brand equity:

* Tangible and intangible value: This can be tangible value such as revenues and price premiums or intangible value such as awareness and goodwill.
* Positive or negative effects: The organization, products, services, and bottom line can benefit or suffer from brand equity. Brand equity is the positive effect of the brand on the difference between the prices that the consumer accepts to pay when the brand known compared to the value of the benefit received. There are two schools of thought regarding the existence of negative brand equity. One perspective states brand equity cannot be negative, hypothesizing only positive brand equity is created by marketing activities such as advertising, PR, and promotion. A second perspective is that negative equity can exist, due to catastrophic events to the brand, such as a wide product recall or continued negative press attention (Blackwater or Halliburton, for example). Colloquially, the term "negative brand equity" may be used to describe a product or service where a brand has a negligible effect on a product level when compared to a no-name or private label product.
* Consumer catalysts: Brands are built by consumers, not companies. Therefore, brand equity is built by consumers too.

***Tangibles of brand equity***: • Shape • Colour • Size • Models • Price • Features • Benefits • Grades.

***Intangibles of brand equity:*** • Company name • Brand name • Slogan and its underlying Associations • Perceived quality • Brand awareness • Customer base • Trademarks and Patents • Channel relationships • Customer loyalty • Customer confidence • Competitive Advantage.

So, brand equity is thefinancial value of a brand which provides capital/value to products and services. Brand equity is related to future returns that customers generate to the product or service. Developed brand assets in the past, enable the brand to leverage her strength and should deliver future value to the brand. Hence brand equity fulfills a bridging role where it connects the past to the future. Kapferer distinguishes three levels; *(1) brand assets, (2) brand strength and (3) brand value.* The sequence from past to future is a conditional consequence which differs in time due to competitive and environmental changes.

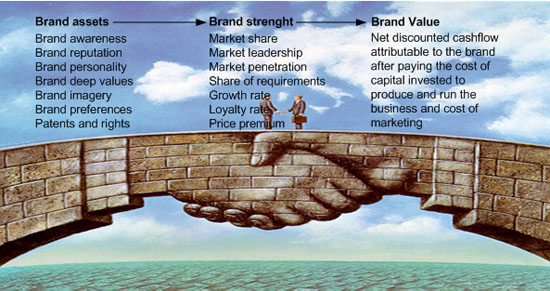


Figure 1. From awareness to financial value

The concept of brand equity is measured in two terms:

1. *The market* – based brand equity aims at producing measures in dollars, euros or yen.
2. *The customer* – based brand equity focuses exclusively on the relationship customers have with the brand.

So, brand equity is an intangible asset that delivers (financial) value to the customers on one hand and value to the organization on the other hand. From a company perspective Anderson and Narusn addressed brand equity in a preferred customer response of: Less time needed to close the sale of an offering;

* Greater likelihood that the product or service is purchased;
* Willingness to award a larger share of purchase requirement;
* Willingness to pay a price premium;
* Less sensitive in regard to price increase;
* Less inducement to try a competitive offering;
* Greater willingness to try a product or service.

Five Major Determinants of brand equity: • *Awareness • Quality • Perception • Loyalty • Patents and Trademark.* Aaker formed his brand equity model around the five categories of brand assets:

* Brand loyalty.
* Brand awareness (- Brand Recognition, - Brand recal).
* Perceived quality.
* Brand associations („owned‟ word • Slogans • Colours • Symbols and logos).
* Other proprietary assets.

Aaker determines the five categories as the main determinants of brand equity which deliver positive or negative value to the customer and organization. Each category can be seen as a brand asset that creates value. It’s of vital importance to understand the source that creates value and the way it creates value, these are the indicators/ effect as displayed in figure 2.

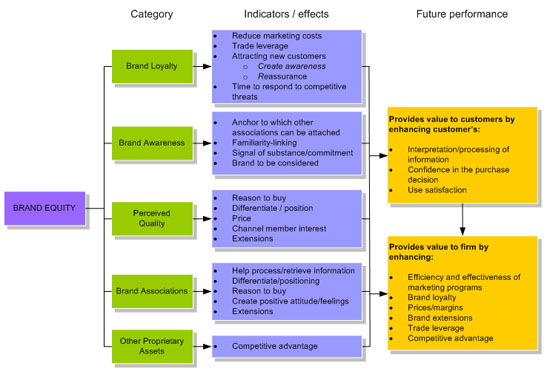


Figure 2. Brand equity model

Organizations are able to build a reputable brand by understanding the correlation between brand awareness and brand value. It is extremely important to create a consistent, unambiguous, transparent and recognizable balance between the internal qualities and external tangible and intangible signs without discrepancy in the association set in the mind of the stakeholders. A reputable brand is the most efficient of external signals to create value.

Brand equity is an intangible asset that depends on associations made by the consumer. There are at least three perspectives from which to view brand equity:

* **Financial –** one way to measure brand equity is to determine the price premium that a brand commands over a generic product. For example, if consumer are willing to pay 100$ more for a branded television over the same unbranded television, this premium provides important information about the value of the brand. However, expenses such as promotional costs must be taken into account when using this method to measure brand equity.
* **Brand extensions** - a successful brand can be used as a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising expenditures, and a lower risk from the perspective of the consumer. Furthermore, appropriate brand extensions can enhance the core brand. However, the value of brand extensions is more difficult to quantity than are direct financial measures of brand equity.
* **Consumer based** - a strong brand increases the consumer's attitude strength toward the product associated with the brand. Attitude strength is built by experience with a product. This importance of actual experience by the customer implies that trial samples are more effective than advertising in the early stages of build a strong brand. The consumer's awareness and associations lead to perceived quality, inferred attributes, and eventually, brand loyalty.

*Basic premise*: (Power of a brand resides in the minds of customers).

*Challenge is to ensure customers* have the right types of experiences with products & services and their marketing programs to create the right brand knowledge structures:

* – Thoughts
* – Feelings
* – Images
* – Perceptions
* – Attitudes

***Strong brand equity provides the following benefits:***

* facilitates a more predictable income stream;
* increases cash flow by increasing market share, reducing promotional costs, and allowing premium pricing. In addition, brand equity provides the ability for companies to expand product lines, which can increase sales and revenues for the business and in some cases reduce costs;
* brand equity is an asset that can be sold or leased;
* A company is also positioned for long-term success because consumers are more likely to forgive bumps in the road when they have deep emotional connections and loyalties to a brand. Positive brand equity helps a company navigate through macro-environmental challenges far more easily than brands with little or negative brand equity can.

The outcome from this is that marketing budgets have more strategic flexibility and require less investment. A company with positive brand equity finds itself better positioned for success because customers have special connections and loyalties to its brand. This enables companies to maneuver through dynamic market challenges better than companies with less equity in their brands.

So, brand equity is not always positive in value. Some brands acquire a bad reputation that result in negative brand equity. Negative brand equity can be measured by surveys in which consumers indicate that a discount is needed to purchase the brand over a generic product.

1. ***Building and managing of brand equity***

The most important assets of any business are intangible: its company name, brand, symbols, and slogans, and their underlying associations, perceived quality, name awareness, customer base, and proprietary resources such as patents, trademarks, and channel relationships.

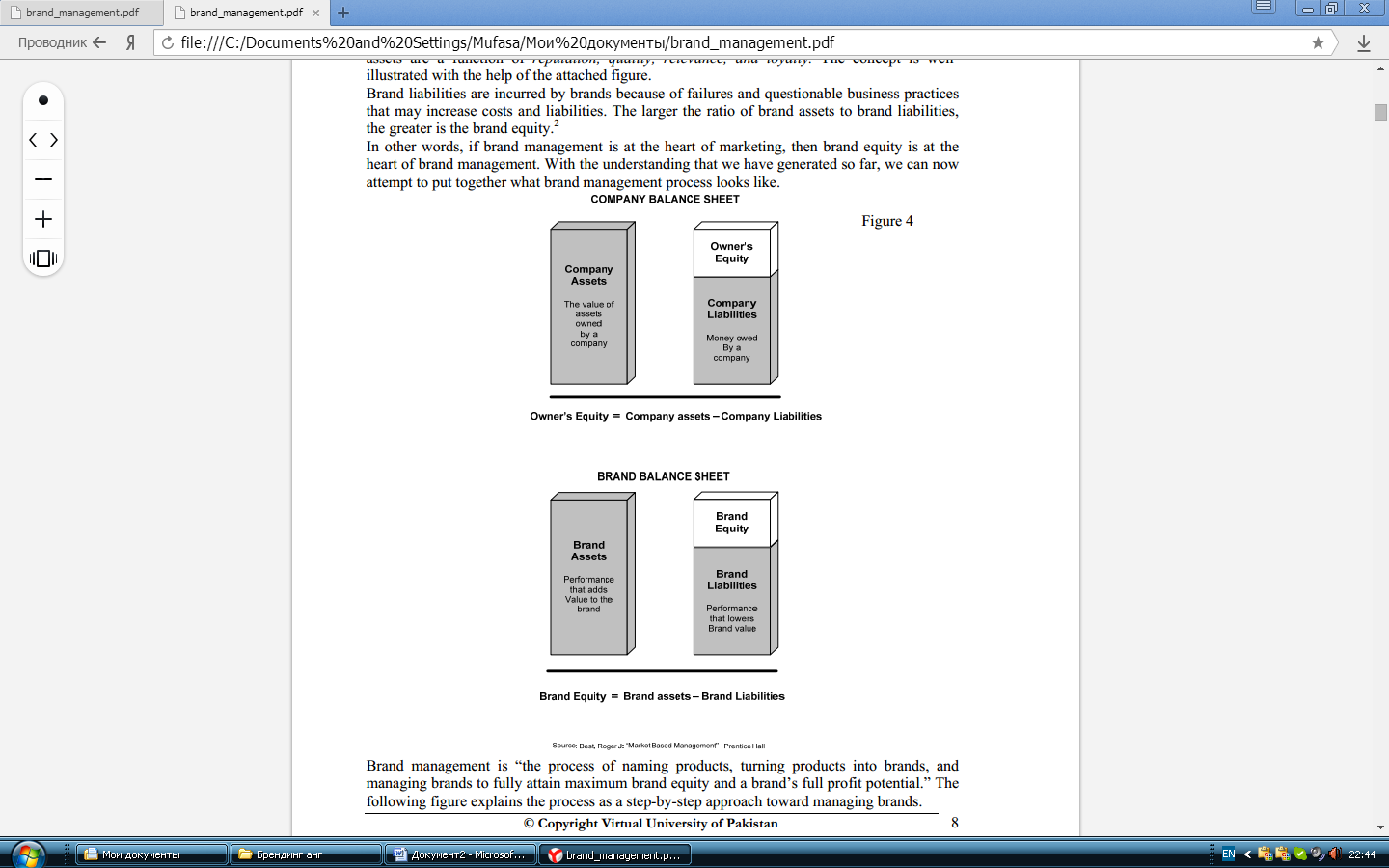
These assets, which comprise brand equity, are a primary source of competitive advantage and future earnings, contends David Aaker, a national authority on branding. Yet, research shows that managers cannot identify with confidence their brand associations, levels of consumer awareness, or degree of customer loyalty. Moreover, in the last decade, managers desperate for short-term financial results have often unwittingly damaged their brands through price promotions and unwise brand extensions, causing irreversible deterioration of the value of the brand name. Although several companies, such as Canada Dry and Colgate-Palmolive, have recently created an equity management position to be guardian of the value of brand names, far too few managers, Aaker concludes, really understand the concept of brand equity and how it must be implemented.

An understanding of the concept of brand equity helps us define the process of brand management. It, therefore, must be understood before we can put definition in place. In a business, the owner's equity is the value of owner's holding in the company. And, that is defined as the difference between what a company owns in assets and what it owes in liabilities. The larger the ratio of assets to liabilities, the larger is the owner's equity. Likewise, brand equity is the difference between a brand's assets and brand's liabilities. Brand assets are a function of *reputation, quality, relevance, and loyalty.*

Brand liabilities are incurred by brands because of failures and questionable business practices that may increase costs and liabilities. The larger the ratio of brand assets to brand liabilities, the greater is the brand equity.

In other words, if brand management is at the heart of marketing, then brand equity is at the heart of brand management. With the understanding that we have generated so far, we can now attempt to put together what brand management process looks like.

Figure 3



**Brand Equity = Brand assets - Brand Liabilities**

Brand management is "the process of naming products, turning products into brands, and managing brands to fully attain maximum brand equity and a brand's full profit potential." The following figure explains the process as a step-by-step approach toward managing brands.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Step 1** |  | **Step 2** |  | **Step 3** |  | **Step 4** |  | **Step 5** |
|  | |  | |  | |  | |  |
| Name a |  | Turn product |  | Manage |  | Generate |  | Build brand |
| product |  | into brand |  | brand |  | profits |  | equity |

Figure 4

**Name a product**

To make your product distinctive, you have to name it as the first step toward the process. There are no hard and fast rules for the name.

A new brand should preferably reflect its positioning. Positioning exists in the mind of the consumer. It is an exercise by the company to offer its product in a way that it occupies a distinct position in the mind of the consumer.

Al Ries and Jack Trout gave the very concept of positioning. According to them, consumers have in their mind a ladder of images in relation to different brands.

The best brand occupies the top rung of the ladder, the position. The follower brands occupy positions at the lower rungs. It should be the priority of any brand manager to have his/her brand positioned at the top rung.

Naming a brand could be the company name, a stand-alone name, or an existing brand name with well established reputation.

Another view is to name a brand with its future and destiny in sight at the time of its birth. Future and destiny point toward vision for the brand. You must consider:

* Is it going to be a regional, national, or international brand?
* Is it going to represent one category or will have the potential and power to represent more than one category.

Answers to the above questions will comfortably lead you to go for a name most appropriate for the brand. There could be different strategies employed for the purpose.

**Turn product into brand**

You need to do consistent hard work to give meaning to the product to turn it into a brand. The underlying aspect of this exercise is differentiation. A brand presents itself in its differentiated form and features for consumers to acknowledge. Without differentiation a product does not qualify to be acknowledged as a brand.

If features allow the brand to occupy its intended position in consumer's mind, the product is deemed turned into a brand.

**Manage brand**

The process does not cease upon turning the product into a brand. A perpetual effort is needed to sustain it. Brands go through the rough and tumble of market dynamics. Competition creates challenges for your brands all the time. Management must face the challenges and live up to those by responding professionally, with the help of brand management tools at its disposal. Management commitment to sustain brands, therefore, is of paramount importance. Brands must be managed keeping in view their value for the consumer and for the company.

There could be a lot of conflicting and opposing views across functional areas while you manage a brand. All such views must be resolved for convergence onto one point - full support to the brand and brand strategies for achievement of goals. You gain support from all concerned by creating a brand-based culture within the organization. The objective here is to involve people from across functional areas in a way that they end up owning the brand-based decisions.

**Generate profits and build brand equity**

Generating profits and building equity are two steps, but interlocked in terms of their occurrence. A well managed brand is an assurance of profits. Only profits will lead the company into a better competitive position and allow for further moves to reach destination as envisioned by the company. Profits make a brand powerful. Power gives the brand value, which is translated into financial value, and hence equity.

*Building Brand Equity*

Building and maintaining brand equity is an important area of ongoing brand marketing. If brand awareness and brand recall are not kept fresh and strong, a lot of time and expense will be wasted, and the long term wealth generating.

Brand Equity is the accumulated value of the brand image or identity in the consumer's mind. The brand equity can be estimated by calculating the sales of a comparable brand with the same features and benefits and subtracting those from your brand's sales. The difference then, is the true value of your brand equity.

There is an intangible value to brand equity and some suggest it can't be converted into a dollar value. The whole point of brand marketing is that everything does actually convert to a dollar value. In reality, that type of intangible is branding that perhaps missed the mark. That's not say that intangible values are all wasted. Intangibles such as good will do have some sales-oriented value that might be harvested at some point.

Public relations is often considered an intangible yet it does help a business solve some brand communications needs and strengthen the brand's value, and hence contribute ultimately to sales.

Brand Identity Guru Inc. builds brand equity from start to finish. By planning well and executing your brand strategy smartly, you reduce wasted advertising dollars and ensure your brand development contributes well to your corporate goals and shareholder value.

Marketers build Brand Equity by creating the right brand knowledge structures with the right customers.

There are three *stages are required in order to build a strong equity brand*:

* 1. ***Introduction*** - introduce a quality product with the strategy of using the brand as a platform from which to launch future products. A positive evaluation by the consumer is important.
  2. ***Elaboration*** - make the brand easy to remember and develop repeat usage. There should be accessible brand attitude, that is, the consumer should easily remember his or her positive evaluation of the brand.
  3. ***Fortification -*** the brand should carry a consistent image over time to reinforce its place in the consumer's mind and develop a special relationship with the consumer. Brand extensions can further fortify the brand, but only with related products having a perceived fit in the mind of the consumer.

**LECTURE 5. BRAND AWARENESS AND CREATING OF BRAND LOYALTY**

*1. Creating the name and visualization of brand.*

*2. Brand awareness.*

*3. Levels of brand recognition.*

*4. The brand pyramid.*

1. ***Creating the name and visualization of brand***

When creating a new name for the product required a professional research and creativity approach. Deciding  the decision about the creation of new name the company must pay attention to the following factors:

* - Specific goods
* - The strategy of the company,
* - Availability of financial resources ,
* - The existence of other brands in the business portfolio ,
* - The behavior of competitors,
* - The general trend of the industry market.

*Thus, for a successful market promotion the brand name should:*

- Transmit the essence of the product;

- To emphasize its uniqueness;

- Capture the consumer's attention and work to stimulate inspiration;

- Sound to match the brand image;

- Be easy to remember;

- To create a visual image and produce sounds that appear in the memory of the consumer;

- Inspire confidence;

- To cause positive emotions.

Your brand name is more than just a word. While the brand name is not the brand itself, it is a core signal that consumers directly equate to the brand. The name provides tangibility to an otherwise intangible concept by allowing your audience to identify and differentiate your brand from others by capturing and communicating your brand’s promise. Unless you know what you’re trying to communicate, you may end up mixing your signals.

The brand’s name is paramount to its success. Few, if any, successful logos were designed before establishing the brand’s name. The process of developing identity, specifically a verbal identity, can be defined as creativity under constraint. Often, in only a single word, brand names represent larger meaning to consumers by conveying a concept and a promise. The name you choose will say volumes about both your brand and your competition. It has the ability to define both what you are and what you are not.

There are many methods for conjuring up brand names. Compiling long lists of names is not all that difficult. Choosing the RIGHT name, a truly ownable name that is a legally protectable trademark within a given market space is the goal. A good name gets your attention. Great names claim a position that is intriguing, inspiring, and believable. Most importantly your name provokes thought, preconditioning consumers with understanding. Your name must claim mind share and market share.

Your brand’s name is a powerful tool for helping to translate your business into a consumer-centric message. A brand name evokes semantic associations that carry a promise. Names speak to consumers, not at them. The most effective brands exemplify their promise by preconditioning consumers with a name that underscores and emphasizes the position the brand has taken. Great names don’t preach, they seduce.

Names are signals, and like all brand signals, a name is a vessel that carries meaning. Upon first encounter, some names are full of meaning, while others are empty and are filled with meaning over time. The name you choose to identify and differentiate your brand must punctuate the position you’re claiming. Depending on the position your brand takes and the competitive landscape you compete in, your brand’s name either dilutes or strengthens your market position. The criteria by which you judge potential brand names can help to mitigate the risk of making an off-brand decision.

You’ll quickly find that as the list is weeded down, only select names will remain. Ensuring that the final candidates are actionable, ownable, and appropriate becomes a whole lot easier when you rule out the names that don’t meet functional considerations. This requires careful planning and a highly objective approach to judge prospective candidates. To arrive at a memorable, marketable name you’ll need to consider the Differentiation, Longevity, Phonetics, and Trademark-ability of all potential candidates.

The right name can help to focus the brand and business to achieve success. The wrong brand name can dilute your brand’s impact. Effective brand names translate business objectives into clear and simple words that express the brand position to consumers. A name today must be able to capture consumers on its own merits. A great brand name can create competitive advantages. When you develop your brand name on a foundation of strategy, consumers don’t only hear, they listen.

1. ***Brand awareness***

***Brand awareness*** is the extent to which a brand is recognized by potential customers, and is correctly associated with a particular product. Expressed usually as a percentage of target market, brand awareness is the primary goal of advertising in the early months or years of a product's introduction.

Brand awareness is the extent to which the consumer associates the brand with the product that they wish to purchase. It is the brand recall and the brand recognition of the company to the consumers. Brand recall is the ability of the consumer to recollect the brand with reference to the product whereas brand recognition is the potential of the consumer to retrieve the past knowledge of the brand when enquired about the brand or shown an image of the brand logo. Brand awareness is an essential part of brand development which helps the brand to stand out from the others in this monopolistically competitive market.

A brand name that is well known to the great majority of households is also called a household name.

Brand awareness plays a major role in a consumer’s buying decision process. The knowledge of an acquaintance or friend having used the product in the past or a high recognition of the product through constant advertisements and associations coaxes the person to make his decision in the favour of the brand.

The eventual goal of most businesses is to make profits and increase sales. Businesses intend to increase their consumer pool and encourage repeat purchases. Apple is a brilliant example of how there is a very high recognition of the brand logo and high anticipation of a new product being released by the company. Finally, high brand awareness about a product suggests that the brand is easily recognizable and accepted by the market in a way that the brand is differentiated from similar products and other competitors. Brand building also helps in improving brand loyalty.

*Channels of Brand Awareness[*

There are many ways to generate brand awareness in the consumers. Listed below are four such channels

Advertising is the activity or profession of producing information for promoting the sale of commercial products or services. Advertising is used through various media to generate brand awareness within consumers. They can be aired as radio ads, television commercials, internet etc. Promotional mix is divided into several elements like advertising, personal selling, publicity, sales promotion and direct marketing, all of the elements can be used to create a powerful and successful brand.

Guerrilla Marketing tactics allow every small firm to compete with bigger firms by carving out narrow but profitable niches. These tactics include (1) extreme specialization, (2) aiming every effort at favourably impressing the customers, (3) providing service that goes beyond the customers' expectations, (4) fast response time, (5) quick turnaround of jobs, and (6) working hours that match the customer's requirements.

It is an out of the ordinary way of marketing a product. Low-cost channels can be utilised to generate a high level of interest in the product and create brand awareness. Product Placement is an advertising technique used by companies to subtly promote their products through a non-traditional advertising technique, usually through appearances in film, television, or other media.

A formal agreement between the product manufacturer and a media company can be generated through which the media company also receives an economic benefit, usually in the form of a fee. The media company in return will showcase the product through any of the various means they have available to make the brand stand out. Some people, however, consider product placement to be deceptive and unethical.

Social Media is the most contemporary and cost-effective way of creating a brand awareness with an online audience. Many companies use social media like Facebook, YouTube, blogs etc.

Maintaining Brand Awareness is a very important aspect in marketing a company. It is imperative and very helpful to analyse the response your audience has towards the change in packaging, advertising, products and messages sent across through various means. Working towards creating an image in the minds of the consumers is not the last thing a company should aim to do. Inviting consumer feedback and maintaining a constant presence in the market is equally essential. Availability of the product to the consumer is one such way of doing this. The consumer should not have to come looking for you when he is in need of making a second purchase of the product, dealerships and outlets at convenient places should make the consumer think of the brand as the most convenient and best solution to his need fulfilment.

While brand awareness scores tend to be quite stable at aggregate level, individual consumers show considerable propensity to change their responses to recall based brand awareness measures. For top of mind recall measures, consumers give the same answer in two interviews typically only 50% the time. Similar low levels of consistency in response have been recorded for other cues to elicit brand name responses.

1. ***Levels of brand recognition***

Some people believe that branding is marketing. Branding is not marketing. It is, however, an integral part of your marketing strategy. It is a crucial function of how your product, service or business interacts with clients, prospects, vendors, employees, and anyone else with whom your product, service or business comes in contact with. Branding creates an image.

And, proper branding will create consumer loyalty. For example, what beer do you drink? What clothing store do you prefer? What’s your favorite brand of automobile? Take this exercise a step further. What image comes to mind when you think of the Yahoo? Macy’s? Wal-Mart? Chances are that, unless you’ve had a bad experience at one of these stores, your perception is a result of branding strategy.

There are said to be 5 levels of brand recognition:

***Brand Rejection***

If someone associates your brand with something negative, they will purposely avoid your product. Have you ever experienced bad service somewhere and swore you’d never return to that chain? Have any of your customers said that about your business? Create a logo and slogan that is filled with great benefits to your customer and put that on everything. If public opinion is turning against you or your product, launch a campaign to alter it.

***Brand Non-recognition***

This is where your customers simply don’t recognize your brand… probably because it is not clearly differentiated from competitors. Boldly state your product or service’s benefits. Always include the full trademark name whenever you refer to your product. Be willing to create brand names for your products or services, just like you’ve done for your own business. Find the differences in value between your product and your competitors and highlight that difference mercilessly.

***Brand Recognition***

This is a good stage to aim for if you don’t have any recognition at all. Brand recognition will help people lean toward your product when given the choice between your product and one they have never heard of. At the same time, though remember that your competitors are also working on brand recognition, which means their brand could be more recognizable. Continue to differentiate yourself and be sure to add value to your product in order to get to the next stage.

***Brand Preference***

This is where customers – given a choice between two brands – will choose yours over someone else’s. It often is the result of a sense of differentiation and that your product or service uniquely serves their needs. As well, you can be sure that any value-added products or services you include help them to choose yours over your competitors. Even though this is a great stage to be in, it’s not the final stage. The stage you absolutely want to be in with your brand is…

***Brand Loyalty***

This is where your customers will choose your brand over all the other brands out there time and time again, even if they have experienced the occasional poor service or if another product comes along that seems to be better suited to their needs. This is the resilience the brand you have created. To achieve brand loyalty, you need to provide a product that is highly differentiated, with plenty of value added, but also you need to offer them remarkable service at a level they will not get anywhere else. Providing this level of service will ensure that they will never switch.

1. ***The brand pyramid***

When you shop in your local grocery store, there may be some brands that you don't feel any connection with. On the other hand, you might be really passionate about other brands. For example, perhaps you drink only a certain brand of coffee, cook with a particular brand of olive oil, or use a certain brand of cell phone because, perhaps subconsciously, these products help to define "who you are."

If you're in marketing, then you'll know how important it is that your brand speaks to your customers on an emotional level. When someone feels a strong positive emotional tie with a product, that emotion creates brand loyalty, and this inspires repeat purchase.

You can use the metaphor of a journey to describe how customers move from just knowing about your brand to feeling loyal to it. So, how do you know where your customers are on this journey, and how do you encourage them along it? Do most of your customers just recognize your brand and drop it as soon as competitors put similar products on sale? Or, does your brand create a sense of personal identity and loyalty with your customers?

The "Brand Pyramid" is a useful tool that can help you identify where your customers are on this journey to loyalty. In this chapter, explore how you can use it to increase people's loyalty to your brand, product, or organization.

There are several different versions of the Brand Pyramid, but most are based on the model originally created by Millward Brown, a global marketing research and consulting firm, in the mid-1990s.

The firm spent 30 years tracking brand-health studies from thousands of organizations. It then used this research to create its original model.

The pyramid, as shown in figure 1, illustrates the five key stages that customers go through with a brand, starting with basic awareness and finishing with complete loyalty.

Clearly, your goal is to get as many of your customers as possible to the higher levels of the pyramid. After all, the higher people are up the pyramid, the more money they're likely to spend with your brand. (This is why the pyramid is inverted.)

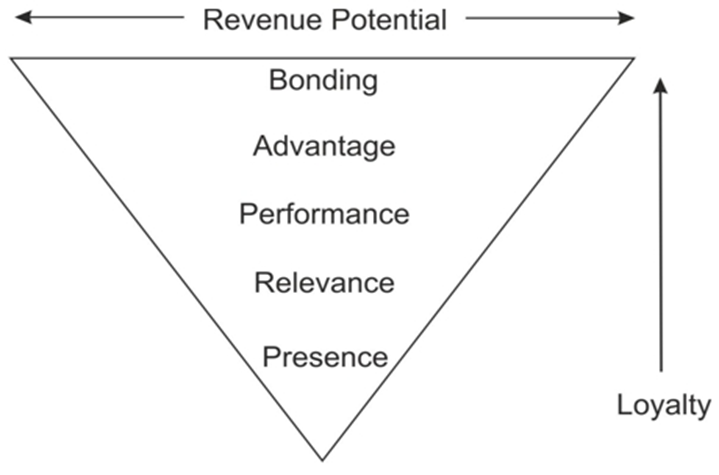


Figure 1 – ***The Brand Pyramid***

Level 1: ***Presence***

At this level, customers are aware of your brand, but little else. They may have tried your products and services before, but they have little or no emotional attachment to them.

Level 2: ***Relevance***

At this level, customers start to think about whether the brand meets their wants and needs. It's here that they begin comparing the cost of your products with respect to the value these provide.

Customers begin asking questions like:

"Does this brand fit my needs?"

"Is it in the right price bracket for me?"

"Is it worth it?"

Level 3: ***Performance***

Here, customers begin comparing the brand with others, to see whether it delivers on its potential.

They're also starting to associate the brand with a specific identity, and they're beginning to recognize it and associate with it.

By now, the brand is on the customer's "short list" of brands to choose from.

Level 4: ***Advantage***

At this level, customers have determined that there is a distinct advantage to using the brand, compared with others. They're also beginning to associate the brand with their emotions and with their sense of self.

Level 5: ***Bonding***

Here, customers have established a bond with the brand. They've determined that cost, advantage, and performance are all at levels that they're happy with.

They've also formed a strong emotional attachment to the brand; the brand has become an integral part of their self-image, and helps represent who they are. This, in turn, encourages them to exclude other brands in favor of this one.

Customers at this level are also likely to be vocal advocates of the brand, which helps build further awareness within their family, social, and professional circles.

You can use the Brand Pyramid when developing a marketing strategy for your brand, product, or service. When you understand the five stages that people go through while they build loyalty to your brand, you can focus your marketing efforts on leading target customers through them.

Remember, however, that there is some crossover between each of the levels, and it may be difficult or impractical to focus on just one stage at a time.

Here are some strategies and tools that you can use when applying the Brand Pyramid to your own situation:

Presence and Relevance (Levels 1 and 2). Here, you can use the marketing strategy which help build awareness of your brand.

Additionally, you're likely to have different groups of customers, with different wants and needs and with different potential levels of profitability. It helps to use market segmentation here, so that you can focus your marketing strategy on delivering offerings targeted at the distinct groups of people most likely to engage with your brand.

Your customers will also want to know how your brand fits with their wants and needs. Price is important here: if the price is too high, customers won't buy your product. If the price is too low, they might assume that quality matches the low price.

It can also be helpful to use the Conjoint Analysis tool to measure buyer preferences. This can help you identify what your customers truly want from your product or service; in turn, this information can help you fine-tune your product design and marketing to address these issues.

Remember, there is still little to no emotional attachment to your brand at this stage; customers are comparing price and value. As such, make sure that your marketing strategy addresses these key concerns.

Performance (Level 3). To reach this stage, you need to show that your brand is better than your competitors' brands.

Ensure that your marketing materials give customers the information they need to compare your product with competing products. Depending on your audience, show your customers how much better your brand or product is by communicating its benefits rather than its features.

If you haven't already done so, conduct a USP Analysis , which will help you identify your brand's uniquely valuable features.

Advantage and Bonding (Levels 4 and 5). To reach these final stages, you need to communicate the perceived further advantages of your brand.

It might be lower in price or superior in quality to your competitors. However, "softer" influences may also be relevant here. Customers might begin to identify your brand with emotions such as fun, excitement, or approval from peers. In your marketing strategy, you need to address and enhance these emotions.

Once your customers have a strong emotional tie with your brand, they're more likely to advocate its benefits to others in their social, family, and professional circles.

Here your brand likely has a culture surrounding it. Provide reinforcing rewards and incentives to your most vocal advocates, host events that are important to your key customer base, and do whatever you can to reach out to your customers, on a personal level.

**LECTURE 6. SUSTAINABILITY AND CHALLENGES OF BRAND**

*1. The concept of sustainability brand.*

*2. Sustainability brand name selection.*

*3. Brand challenges.*

*4. Strategic Brand Management Process (SMP).*

1. ***The concept of sustainability brand***

Though brand development is by no means a new idea, today consumers have more access to information and more choices than ever before. The result is higher expectations, and the brand’s message must captivate the consumer immediately. Companies seeking to experience long-term success will have to create the most compelling, relevant, and consistent brand experiences for their customers.

In order to successfully develop the most effective branding strategy, a firm understanding of what a brand is must first be answered.

*Sustainability brands* are products and services that are branded to signify a special added value in terms of environmental and social benefits to the customer and thus enable the differentiation from competitors.

Sustainability branding is the process of creating and maintaining an identity of a specific product, service, or business that reflects special added value in terms of environmental and social benefits. A brand is only perceived as being sustainable if it can credibly convey sustainability benefits which are noticeable by and relevant to the consumer.

Opposed to the term green brand which mainly focuses on environmentally sound business practices, sustainability brands additionally acknowledge the social dimension of providing products and services. This entails, among others, health and safety issues resulting from direct or indirect product use (consumption level) as well as the conditions under which a particular product is produced (production level). The physical protection and well-being of people at work (i.e. employees as well as workers within the supply chains) are important indicators of sustainability brands and sustainability marketing in general which adheres to the triple bottom line of ecological (environmental), social (equity), and financial (economic) sustainability.

*Elements of a successful brand:*

1. First, and the most important factor, is deciding what you want to be out front in the public eye. Create a memorable brand name. The easier it is to memorize your brand name, the more successful you will be in the future. Create a name that is distinctive compared to others and with a strong meaning. The name must be associated with the image of your product or service. How a customer perceives your business and what your business stands for in his or her mind will influence the pattern of your business.
2. Second is brand positioning: a strong brand should have a clear position in the market. Great brand positioning is not about a bridge or a wheel of a brand, it is more like an idea which has the power to inspire the audience. Positioning is achieved through several means, including a brand name, an image, service standards, a product guarantee, packagin and the way it is delivered to the audience. Having great positioning in the market is the most important thing, and so a brand must be the following three things:

*Be different.* To develop a powerful brand, first you have to make sure that you are different from your competitors. Many companies may offer the same product and service as you, which leads to tough competition in the market. That’s why you need to be innovative and different. Differentiation helps people make choices. So stand out in the market and make it easy for the audience to choose you.

*Be focused.* Define your target market, because everything starts and ends in the audience’s mind. Don’t target everyone which might seem safe at first because everyone will not focus only on you. Other competitors also vie for the audience’s attention and therefore, it will be more effective if you focus on a targeted segment of the population. Focused does not only mean a certain audience will be attracted by your product, but they’ll also be willing to pay more for it.

*Be consistent.* Your brand image should meet your target customers’ expectations, needs and aspirations. Tell a clear story about your brand vision and mission. Build a strong brand through customer experience. Identify all touch points where customers interact with your company, because you need to create a consistent experience at each of these touch points.

An example is that marketers can conduct mystery shopping, and act like a consumer who is eager to buy a Starbucks coffee. This kind of activity is very important for a company to analyze how the employee interacts with the consumer, the environment of the store, and all other factors.

Have you already fulfilled the consumer’s expectations or not? Be sure to create a lasting emotional connection with customers.

There is also communication and promotion. This element plays an important role in building a successful brand, because if you want to spread the message of your product to the market, you need to create a successful promotional mix first.

Promotional mix is divided into several elements like advertising, personal selling, publicity, sales promotion and direct marketing, all of the elements can be used to create a powerful and successful brand.

Also, be sure to deliver on your promises. Every business wants to be a customer’s first choice. Therefore you need to be sure that you can always deliver your promises using your strengths and capabilities. You need to focus on what your customers want and how you can deliver it according to your promises. Keep the brand promise simple and honest so that it is easily remembered by the audience. A good brand promise should fulfill your customer needs. Remember, a strong brand can make your business stand out even in the most competitive markets.

A brand is able to evoke positive or negative feelings, especially in the context of sensitive social and ecological issues. The more positive the perceptions and feelings are towards a brand, the higher will be the likelihood of identification and loyalty amongst consumers. It is therefore crucial in sustainability marketing to build up strong brands. In doing so, companies face far-reaching decisions in the areas of brand positioning (1), sustainability brand name selection (2), and sustainability brand development (3), in order to create and build sustainability brands that consumers associate with social and environmental added value.

Since the adjective “sustainable” might convey the notion of brands that have long-lasting success, implicating durable competitive advantage without any particular reference to a sustainability agenda, the term “sustainability brand” should be used to prevent ambiguity. Albeit subtle difference, the latter explicitly emphasizes the notion of brands which have built their brand image upon sustainable business practices that consumers value. Sustainability brands are commonly referred to in the field of sustainability marketing.

*Sustainability brand positioning and the 8 C's*

Sustainability Brand Positioning and positioning in general is part of the brand identity and value proposition that is to be actively communicated to the target audience and can be described as an iterative process, consisting of deliberate and proactive actions aimed at the definition of distinct consumer perceptions. Sustainable brand positioning is the brand positioning of Sustainable products and services. Sustainable products and services should offer an improved social and ecological performance during the whole product lifecycle and at the same time they have to satisfy consumer needs and wants. Many of the first generation sustainability brands failed in the market because companies overemphasized the positive socio-ecological product attributes, while they neglected to focus on other product attributes such as performance, functionality or design, too. As a result, many products could not compete against conventional products.

To build up and position strong sustainability brands, there are some guidelines to follow. Marc Stoiber summed them up in the The five Cs of Sustainability Branding: Consumer Facing, Competitive, Core, Conversational and credible. Perrine Bouhana added to that concept “a sixth C”: Consistency. Martin Belz complemented and revised this concept to ***“8 C’s” of sustainability branding*** and describes them as followed:

*Core*

Sustainability should be tied up to the key problems and the core business through assessing the socio-ecological impacts of products along the entire life-cycle of the products and finding out the socio-ecological “hot-spots” of the product-life-cycle.

*Co-operative*

The solutions to the main socio-ecological problems associated with products along the entire life cycle require - both in the process of innovating and marketing sustainable products and services - co-operations with suppliers, retailers, consumers, scientists, and other non-market actors (e.g. NGO’s).

*Credible*

Fundamentals of credibility are first the solving of key socio-ecological problems associated with companies’ products and second tying sustainability to the core business. Co-operations with trustworthy partners and the use of independent, third-party labels (e.g. labels like Bio or MSC) such as a high level of transparency (e.g. through an online tracking system, which enables consumers to see the world of behind the product) can additionally increase the credibility of sustainability brands.

*Consumer Benefits*

Socio-ecological characteristics or attributes of products usually just play an auxiliary role (no core benefits). To broaden the appeal of sustainability brands, the companies should emphasize the inherent consumer benefits of socio-ecological attributes, including efficiency and cost effectiveness, health and safety, symbolism and status. Further they should align socio-ecological attributes with benefits such as functionality, design, and durability to create “motive alliances”.

*Conversational*

Sustainability branding is more effective as a two-way conversation, rather than a one-way announcement. Inviting consumers to enter into dialogues about the sustainability process strengthens the brand-consumer relationship.

*Consistency*

If sustainability is key to brand positioning, this requires a kind of integrated approach to sustainability communication: it is important to communicate in a consistent way, including e.g. advertising, personal selling or online communication. In addition to that, the sustainability product brand has to be consistent with the overall environmental and social performance of the company.

*Commitment*

Sustainability branding not only requires the commitment of the PR department and the sustainability officers but also requires the commitment of top management and marketing decision makers.

*Continuity*

Sustainability must reflect the core values of the brand and contribute to delivering the brand promise over the long-term. This means that a brand cannot change its sustainability focus too often, or engage in too many non-related areas.

1. ***Sustainability brand name selection***

In the course of choosing the right name, Sustainability brands must first –just like brand names in the conventional sense- follow well-established rules. In general, a good brand name should consider three areas: memorability (distinctive short name, evoking emotions…), strategic fit (they should relate to the actual product; ability to expand to other brands) and legal (legal protection under trade mark law etc.)

Sustainability Brands, however, go one step further and incorporate something that conveys the notion of social and/or ecological awareness.

A popular example is “Better Place”, a global provider of electric vehicle networks and services that works in a joint venture with Renault Nissan Alliance Motor Company to promote the use of electric cars. The founder, Shai Agassi, was intrigued by a question posed at the World Economic Forum in 2005 "How do you make the world a better place by 2020?". Thus the name Better Place. It is not related to the product (electric vehicle) but to much wider social and ecological issues (depletion of natural resources, CO2 emissions…), which the company addresses or rather offers the solution for.

Sustainability brand names can be part of a new product launch, an extension to an existing (conventional) brand or be so new to the market that they create a product category themselves. Each of these approaches has specific strategic implications.

*Enter Established Market*

Entering a saturated market such as the one for conventional household detergents with a sustainability brand might prove extremely difficult. However, there are companies that have successfully entered the market and positioned their brand as sustainability leaders. Seventh Generation, for instance, is the US market leader in four product categories (Household, Laundry, Personal and Baby Care) with products that –in the words of the company- “protect human health and the environment.”

*Brand Extension / Aligning Existing Brand*

Established brands can leverage their existing brand recognition to extend their name to new products, which are then marketed as socially and ecologically friendly. Tide, a popular detergent brand in the US, expanded its brand to meet the demands of the ecological conscious consumer by launching Tide Cold Water Detergent in 2005. The product requires only cold water and thus saves energy. In 2010, it was given the Green GH seal, which is only awarded after a “cradle to grave” examination of the product.

*Creating entirely new Product Categories*

Sustainability brand names can also succeed if they achieve to create a product category for themselves where there is virtually no competition yet. When the car-sharing concept was fairly new, companies such as Mobility CarSharing in Switzerland did neither compete with car companies nor public transportation providers.

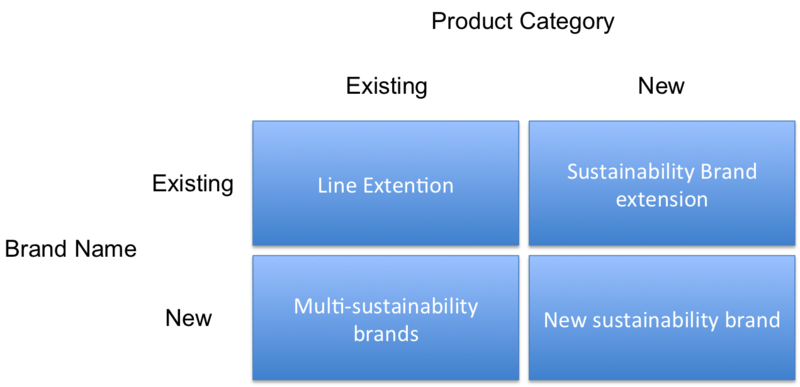
Sustainability brands are subject to constant change. A sustainability brand that is well established on the market, can be further developed into different directions. According to Belz and Peattie four main options for development are possible (*Figure 1.*):

Line extension occurs when a company adds new products of the same product category under the same sustainability brand name.

Sustainability brand extension occurs when a company introduces products of a different product category but under the same sustainability brand name.

Multi-sustainability brands occur when a company manages two or more different sustainability brands but in the same product category.

New sustainability brands occur when a company creates an entire new brand name when they access a new product category.



To create a sustainability brand it is furthermore important to adopt the right channels for marketing according to Lauterborns five Cs. Advertising in this case can help to create awareness of the brand and thus form the new brand experience. Furthermore it is obligatory for Sustainability brands to obtain one or more ecolabels, leading to a higher influence on consumer behavior and the perception of the brand.

1. ***Brand challenges***

If brands are strong and powerful, they also face challenges regarding sustenance and growth. These challenges vary in degree and intensity for various markets.

The basic determinant of challenges is the level to which a certain market is mature. Maturity holds the key. If a market is very mature, the challenges are intense; if a market is less mature, meaning still growing and robust, the challenges are less strong.

Markets become mature due to overall purchasing levels reaching a plateau. This simply implies that demand in the category is no longer elastic and has no further room to grow. And, the consumers are buying various brands in a certain pattern of frequency and quantities which are optimal and, hence, their buying behavior will not give further impetus to overall growth of the category. We can also call it maturity of the economic cycle.

Under the circumstances just explained, markets seem to lose vitality in terms of growth, but not in terms of availability of loads of products. This can be further simplified by saying that the size of the pie reaches the most optimal level from where it does not increase unless there is growth in population. Whatever changes take place they take place within the pie in the shape of competitive wars.

Competitive pressures and wars have led to a few difficult situations that companies have to face as next challenges:

* Brand proliferation;
* Consumer revolt;
* Retailer power;
* Media cost and fragmentation.

*Brand Proliferation*. Owing to the reason of low growth, the classic response of marketing people has been (and is) to develop new brands or extending/stretching existing brands into different varieties. Brand extension and stretching essentially is an exercise meant for having different varieties of products under the same brand name.

In trying to do so, marketing people may not create products that really are new. That is, an inevitable response to the dynamics of markets may not generate a real new product for the simple reason that innovations do not come by so very easily and frequently.

The result has been a variety of products that are very similar not having differentiated features that can attract consumers. Creating distinctions without differentiation does not make a product stand out and convince consumers to go for it.

In many instances, products carry the label of “new” indicating new features. But those are not recognized by consumers as really new. The result is “irritated consumers” who think their buying decision has been made complicated into an unnecessary effort. The net result is no increase in sales.

To meet this challenge, manufacturers have to introduce products with real meaningful added features that can be perceived as “performance benefits” and not just cosmetic changes.

*Consumer Revolt.* Because of the little differences that are not found meaningful, the consumers are not willing to pay premium prices in most of the cases until real performance benefits are perceived by them.

The manufacturers find it hard to amass profits. For this reason, marketing departments get under pressure to produce results. Such pressures lead them to get into the following options:

Introduce more brands

Introduce brand extensions

Advertise or promote existing brands

The net result of introduction of more brands and extensions is high expenditure with no guarantee of increased sales with good profits. Actually, it leads to proliferation with no new benefits to consumers. Consumers’ unenthusiastic attitude to buy as much as companies would wish is tantamount to a revolt.

The option that is most widely used by brand managers is to promote the existing brands with the help of some attractive promotional features, like “buy-one-get-one-free” or something similar.

The promotional schemes, in other words, come into being not so much for adding value to brand with a long term perspective, but rather stem from short term pressures of increasing sales in competitive markets.

Experience has shown that promotions have a short term effect, but are damaging in the long run. The costs are high and the results do not have an element of permanence.

*Retailer Power.* Here, retailer exploitation comes into play. Knowing brand managers being under pressure, retailers like to keep them under pressure for promotions that suit retailers more than anyone else in the trade sections.

Growth of brands has given rise to retailing all over the world. With retailers’ concentration, the balance of power between the manufacturer and the retailer has tilted toward the retailer.1 Whether it is introduction of new brands or promotion of the existing ones, marketing people find retailers existence in either case extremely significant.

The pressures mount and brand and marketing managers find themselves pressed from two fronts – internal (finance and top management) and external (retailers).

*Media Cost and Fragmentation.* The style of mass advertising campaigns of yesteryears does not hold too strong a ground. It has become too expensive to go national on the TV network with no specific plans for points of attack and reinforcement in relation to brand’s potential in different areas. In other words, marketing people should concentrate on those areas, which offer better prospects of brand’s growth.

With technical advancements, number of channels has increased manifolds. Developments of cable and satellite systems offer enormous choices, with the help of which you can reach fragmented audiences.

Under such circumstances, it has become challenging for brand managers to be practically aware of the media costs and the effects of fragmenting a TV campaign. Not only that, they also have to be able to plan an integrated communication campaign with various tools of communication at their hands. The managers have to capitalize on the factor of fragmentation and align their campaigns accordingly.

We have seen what a brand is, how it differs from a generic product and what it takes to turn a product into a brand. With that understanding the definition of brand management makes sense in all its manifestations.

There are a few fundamentals that are at the heart of brand management. Of those, dimensions, characteristics, and layers of brands are very central to the concept of brand management, while commitment of management is the cornerstone of the development process. Management has to stay committed all along the road to the destination.

Good and committed management creates brands full of value and power. Management creates value for the consumer and for the company through good brands.

Despite having value and power, brands are lendable to competitive attacks. The road to destination is full of challenges and threats. It again is the responsibility of good management to face those challenges through practical decision making. Decisions made on realism reflect the level of your ability to cope with the dynamics of the market. Any shortcomings that may come to the surface offer you opportunities to gear up against the odds and come out as winners – whether it is a question of growth in a stagnant market, dealing with powerful retailers, or circumspection required to come up with an optimal, integrated communication approach. Very macro in its nature and form, the preceding overview is essential for your basic understanding before we embark on the strategic process of brand management.

1. ***Strategic Brand Management Process (SMP)***

With the overview in place, we now move on to the strategic process as it emerges while you develop a new brand or sustain an existing one. For the sake of consistency of tutorial, the brand management approach is going to be a reflection of the process explained by Scot Davis in his book “Brand Asset Management”.

The understanding will come into a better light if viewed from the standpoint of developing a new brand. Comprehensive in nature, it will automatically point out the measures needed to refresh an existing brand, whenever and wherever the need arises.

The point of departure toward the process is to have a clear vision for your brand. Vision should not frighten you, for it is not something poetic or philosophical that you may consider only blessed ones having been endowed with.

If you are a person of average intellect, that most of us are, then you should not have any problems developing a vision. It is all about where you want to see your brand at the end of a certain period of your definition. In very simple words, vision is the journey from here (present) to there (future).

Being the brand manager, you are responsible for the destination planning of your brand in terms of its future movements relating, for example:

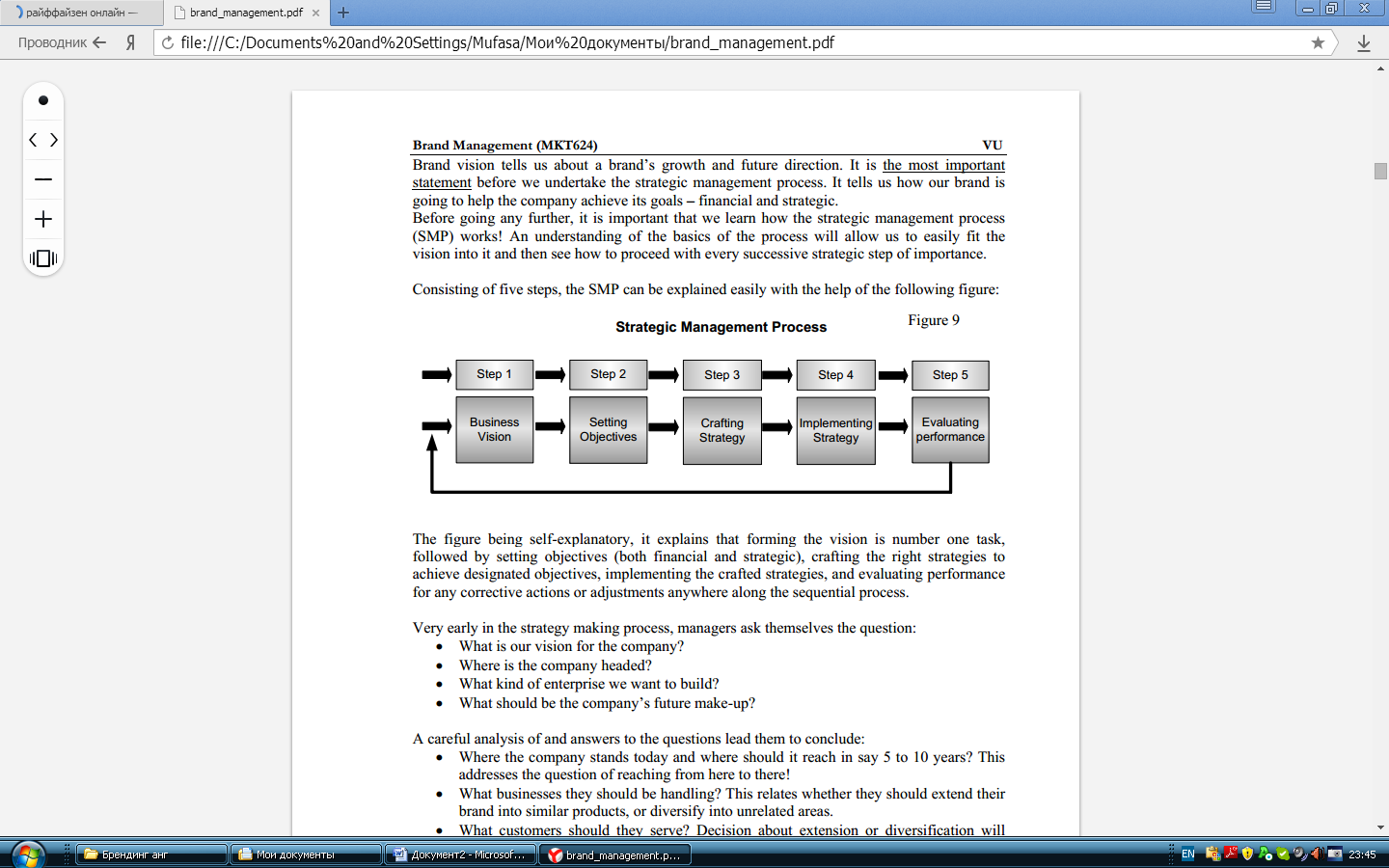
* The volume
* Share of the market
* Markets to serve
* Distribution improvements
* Quality parameters and benchmarks
* Overtaking competition
* Product innovation or extension, to name a few.

With the vision in place about your brand’s movement, the next step for you is to take top management into confidence. The top management is extremely interested in the planned brand’s movements as envisioned by you and your department.

If the top management has an overall vision, then the brand vision should automatically fit into that. The brand vision, therefore, is an extension of the overall business vision. It flows out of the latter.

Brand vision tells us about a brand’s growth and future direction. It is the most important statement before we undertake the strategic management process. It tells us how our brand is going to help the company achieve its goals – financial and strategic.Before going any further, it is important that we learn how the strategic management process (SMP) works! An understanding of the basics of the process will allow us to easily fit the vision into it and then see how to proceed with every successive strategic step of importance.

Consisting of five steps, the SMP can be explained easily with the help of the following figure:



The figure being self-explanatory, it explains that forming the vision is number one task, followed by setting objectives (both financial and strategic), crafting the right strategies to achieve designated objectives, implementing the crafted strategies, and evaluating performance for any corrective actions or adjustments anywhere along the sequential process.

Very early in the strategy making process, managers ask themselves the question:

What is our vision for the company?

Where is the company headed?

What kind of enterprise we want to build?

What should be the company’s future make-up?

A careful analysis of and answers to the questions lead them to conclude:

Where the company stands today and where should it reach in say 5 to 10 years? This addresses the question of reaching from here to there!

What businesses they should be handling? This relates whether they should extend their brand into similar products, or diversify into unrelated areas.

What customers should they serve? Decision about extension or diversification will pinpoint the target customers.

Do they need more brands to serve more businesses? This indicates whether they should be keeping their existing brand name or go for new ones.

What capabilities and resources they need to have to achieve all that they envision? A very careful analysis of what is it in terms of financial, human, and technological resources that they need to succeed is required here.

The above analysis creates organizational purpose and identity and form very clearly the “VISION” of the company. You can feel from the discussion how important it is to have a clear vision for the company and, also, how closely related that is to creating vision for the brand!

An understanding on your part of the SMP is important in that you must appreciate the elements that top management considers toward company’s business planning. That will enable you to better integrate your function of brand management into the overall business whole.

**LECTURE 7. BRAND VALUATION**

*1. The concept of brand valuation.*

*2. Valuation methodologies.*

*3. The approaches of brand valuation.*

1. ***The concept of brand valuation***

Brand valuation is the job of estimating the total financial value of the brand. Like the valuation of any product, of self-review, or conflicts of interest if those that value the brand also were involved in its creation. The ISO 10668:2010 specifies requirements for procedures and methods of monetary brand value measurement. The ISO 10668 standard sets out the appropriate process of valuing brands and sets out six key requirements: transparency, validity, reliability, sufficiency, objectivity and financial, behavioral and legal parameters. Brand valuation is distinguished from brand equity.

There are many ways to measure a brand. Some measurements approaches are at the firm level, some at the product level, and still others are at the consumer level.

***Firm Level:*** Firm level approaches measure the brand as a financial asset. In short, a calculation is made regarding how much the brand is worth as an intangible asset. For example, if you were to take the value of the firm, as derived by its market capitalization—and then subtract tangible assets and "measurable" intangible assets—the residual would be the brand equity. One high-profile firm level approach is by the consulting firm Interbrand. To do its calculation, Interbrand estimates brand value on the basis of projected profits discounted to a present value. The discount rate is a subjective rate determined by Interbrand and Wall Street equity specialists and reflects the risk profile, market leadership, stability and global reach of the brand. Brand valuation modeling is closely related to brand equity, and a number of models and approaches have been developed by different consultancies. Brand valuation models typically combine a brand equity measure (e.g.: the proportion of sales contributed by "brand") with commercial metrics such as margin or economic profit.

***Product Level:*** The classic product level brand measurement example is to compare the price of a no-name or private label product to an "equivalent" branded product. The difference in price, assuming all things equal, is due to the brand. More recently a revenue premium approach has been advocated. Marketing mix modeling can isolate "base" and "incremental" sales, and it is sometimes argued that base sales approximate to a measure of brand equity. More sophisticated marketing mix models have a floating base that can capture changes in underlying brand equity for a product over time.

***Consumer Level:*** This approach seeks to map the mind of the consumer to find out what associations with the brand the consumer has. This approach seeks to measure the awareness (recall and recognition) and brand image (the overall associations that the brand has). Free association tests and projective techniques are commonly used to uncover the tangible and intangible attributes, attitudes, and intentions about a brand. Brands with high levels of awareness and strong, favorable and unique associations are high equity brands.

All of these calculations are, at best, approximations. A more complete understanding of the brand can occur if multiple measures are used.

The necessity of evaluating brands resides both in the company’s and in the marketing environment’s interests, especially those organizations or persons who are interested in the company’s and its brands’ financial performance. It is about the company’s stakeholders (suppliers, investors, financial institutions, distributors, employees, customers etc.) and the competition. The situations in which brand evaluation is essential could be categorized as it follows:

* + - * *Mergers and acquisitions.* Nowadays, the main determinants of mergers and acquisitions are not only facilities or technologies, but even more important, the value of brands. A few examples could comprise: Rowntree Macintosh acquisition by Nestle in 1988 for a price of 2.75 billion GBP, three times the company‚ Äôs capital market value and 26 times its profits; Kraft Foods acquisition by Philip Morris in 1988 for a price of 12.9 billion USD, of which 90% represented Kraft Foods‚ Äô brands value; Beck‚Äôs acquisition by Interbrew in 2001 for 1,8 billion EUR, 500 million EUR more than the company‚ Äôs capital market value. Marketers have always understood the idea that brand names add value to a product, but it was only until the late 1980s that this notion began to figure in the actual asset value of a company. Academics suggested that this change came about during the massive wave of mergers and acquisitions among large companies with well known brands that occurred in the 1980s. Those involved in these transactions were searching beyond the traditional sense of asset value and net income to include ‚ Äúgoodwill‚ Äù. They were looking for a company‚ Äôs brand portfolio as the comprising brands had strong power in the market. Even if accepted accounting procedure did not permit considering the added value of a brand name on the balance sheet, it was nonetheless being factored into the net value of the firm. In the case of mergers and acquisitions brand evaluation 95 generates a reference in the negotiation process. Negotiation partners‚ Äô opposite interests of over/under-valuing could be harmonized through using a formal method of evaluation agreed by both parties.
* *Informing financial partners (investors, shareholders, banks, insurance companies etc).* Financial partners perceive brand value as a reference when establishing the extent to which they are willing to take risks and finance the company that possesses the brand. The interest of the brand’s proprietor is to over-estimate the value of its brand. This situation could be avoided through using a formal method of evaluation implemented by an acknowledged third party.
* *Brand licensing*. Brand value is a reference in negotiating the price of a brand licensing contract or the fee paid in order to use the brand name. It is important to consider in this case the potential future market and financial outcomes generated by the power of the brand. Negotiation partners’ opposite interests of over/under-valuing could be harmonized through using a formal method of evaluation agreed by both parties.
* *Compensation establishment in cases of unauthorized usage of brand names.* Strong brands’ proprietors are exposed to brand piracy which basically leads to weakening the brands’ value. Compensation establishments can be done considering: the difference between the brand’s value before and after the piracy act, a retroactive brand name usage fee, or the share of the pirate’s profit earned due to using the brand name. All of the considerations above imply a brand evaluation process.
* *Elaborating marketing strategies and plans and evaluating the efficiency of implementation.* Brand portfolio evaluation can lead to identifying: weaknesses and strengths among brand’s determinants, ways of restructuring the brands mix, key-brands management, strategies and plans implementation efficiency through after-before evaluations.

Uses of brand valuation: common purposes are:

* value reporting;
* licensing;
* dispute resolution;
* legal transaction;
* accounting;
* strategic planning;
* management information;
* taxation planning and compliance;
* liquidation;
* litigation support.

1. ***Valuation methodologies***

In recent years, the issue of how brand value or brand equity can be measured has grown more prominent in both academic and practical debates. This is due to the sheer number of different approaches applied both in theory and in practice for valuing brands. However, it is interesting to note that the first moves toward quantifying the value of brands were not driven by marketing issues., but set in motion by corporate finance experts who needed a way of expressing brands in dollars and cents when either the brands themselves or the whole company that owned them was up for purchase or sale. This gave birth to the first, financially-oriented valuation methodologies. In more recent years, consumer-based perspectives on brand valuation have also featured more strongly, as it was hoped that an enhanced understanding of the determinants (or “drivers”) of brand value from the customer’s viewpoint would yield key indicators for efficient brand management. Considering the type of measures taken into consideration, the type of indicators involved, and the nature of the value returned, the methodologies developed to date for establishing brand value can be classified into three groups as it follows:

***• Financial*** based methods characterized by quantitative measures, usage of mostly financial indicators, and providing monetary value of the brand. Some of the most representative methods in this category are: capital market-oriented, cost-oriented, license-based, and price premium-oriented method.

• ***Behavioral*** based methods using qualitative measures, consumer behavior indicators, and providing qualitative value of the brand. Some of the essential methods of this type to be further analyzed are: David A. Aaker’s, Kevin Lane Keller’s, Jean Noel Kapferer’s, Emnid’s brand barometer, Young & Rubicam’s Brand Asset Valuator, and McKinsey’s method.

• ***Composite methods*** using both quantitative and qualitative measures, aggregating financial and behavioral indicators, and providing a monetary value of the brand. The most world wide spread and accepted method in this category is Interbrand’s method.

In the case of the *capital market based method*, brand value consist in the company’s capitalized or realized market value (stock price x number of shares) minus its tangible and its remaining intangible assets. The problem with this method resides in the fact that the events generating market identity need to be readily identifiable marketing measures, and the market needs to be transparent. If the information influencing brand equity did not filter into the capital markets, or did so only slowly, it would be impossible to attribute stock market movements to changes in brand value, thus undermining the fundamental logic of the model. Also, another weakness is that it can only be used for stock exchangeisted companies, the method being best suited to single- brand corporations, because the pro rata method of dividing brand equity among a number of brands can only, at best, be an approximation.

The *cost oriented method* takes two forms: the historic cost-based method, case in which brand value is an asset based on the resources that have been invested in it, and, respectively, the replacement cost-based method, when 96 brand value is an asset based on what it would cost today to build up an equivalent brand from scratch. The problem with these methods is that a brand won’t always be more valuable if more resources are invested in it. In reality, this link does not apply unreservedly. Some brands are strong despite relatively low investment in them, and these would be significantly undervalued. Also, the focus on cost creates an incentive to invest a disproportionate amount in a brand to supposedly enhance its value. Another weakness is that this method implies difficulties in attributing costs to a brand fact which can lead to computational errors and distorted results. On the other hand, it is almost impossible to find any other brand truly comparable with it for purposes of establishing its replacement value. Substantial doubt regarding the validity of the results also arises due to the lack of market transparency and a dependence on expert opinions when establishing replacement cost. Finally, it fails to take account of the future, including the potential further success of the brand, and bases its verdict solely on historical data.

The *license based method* values a brand on the basis of the license rates typical of the industry and earned by comparable brands. That is to say, it translates the license fees attracted by a reference brand into a monetary value of the brand being assessed. The license fees recorded are assumed to be an objectively correct quantity. Even though a database of past licensing agreements is used, and even though several other key factors are taken into account, it must still be considered extremely difficult to identify a suitable reference brand to provide objective comparability. There have to be fundamental doubts as to whether the license fee negotiated in practice, reflecting varying tactics and strategies used by the parties involved, can allow conclusions to be drawn about the intrinsic value of a brand.

In the case of the *price premium oriented method*, brand value as expressed in price premiums can be measured by comparing the price of a branded product with that of an unbranded one that is identical in all other respects. To obtain total brand value, the unit price differential is multiplied by the quantity sold.

According to *David A. Aaker’s behavioral based method*, a brand is “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm/or to that firm’s customers”. The determinants of brand value are grouped into: brand loyalty, brand name awareness, perceived brand quality, brand associations, and other proprietary brand assets.

In another *behavioral method, that of Kevin Lane Keller*, brand value is “the differential effect of brand knowledge on consumer response to the marketing of the brand. That is, customer-based brand equity involves consumers’ response to an element of the marketing mix for the brand in comparison with their reactions to the same marketing mix element attributed to a fictitiously named or unnamed version of the product or service”.

McKinsey’s method defines the three P’s of the brand as the key determinants of such a power brand: performance, personality and presence. McKinsey supposes that the quantitative brand strength values are a function of the three P’s.

Still, McKinsey’s method does not offer any information on the functional context or global brand value and it is not clear whether the three P’s truly encompass all relevant drivers of brand strength or whether there are others.

1. ***The approaches of brand valuation***

There are four main approaches of brand valuation methods:

***The Cost Approach***

The cost approach measures the value of a brand as the cost invested in its creation and development. The idea being that an investor would not pay more for a brand than it would cost to recreate or replace it. However, since this approach is based on retrospective data it does not consider a company's future earnings.

***The comparably approach.*** Another approach is to arrive at a value for a brand on the basis of something comparable. But comparability is difficult in the case of brands as by definition they should be differentiated and thus not comparable. Furthermore, the value creation of brands in the same category can be very different, even if most other aspects of the underlying business such as target groups, advertising spend, price promotions and distribution channel are similar or identical. Comparable can provide an interesting cross-check, however, even though they should never be relied on solely for valuing brands.

***The Market Approach***

The brand is valued based on what others in the market have paid for similar assets. With so few brands being bought and sold, using this method may be as difficult as finding a recent sale of another brand with a similar awareness, strength, or economic and legal situation against which to benchmark.

***The Income Approach***

This approach measures the value by reference to the present value of the economic benefits received over the rest of the useful life of the brand. There are 6 recognized methods of the income approach:

*Price premium method* - In the premium price method, the value is calculated as the net present value of future price premiums that a branded product would command over an unbranded or generic equivalent. However, the primary purpose of many brands is not necessarily to obtain a price premium but rather to secure the highest level of future demand. The value generation of these brands lies in securing future volumes rather than securing a premium price. This is true for many durable and non-durable consumer goods categories.

This method is flawed because there are rarely generic equivalents to which the premium price of a branded product can be compared. Today, almost everything is branded, and in some cases store brands can be as strong as producer brands charging the same or similar prices. The price difference between a brand and competing products can be an indicator of its strength, but it does not represent the only and most important value contribution a brand makes to the underlying business.

*Volume premium method* - estimates the value of a brand by the volume premium it generates when compared to a similar but unbranded product or service. This must take into account the price premium method.

*Income split method* - this values the brand as the present value portion of the economic profit attributable to the brand over the rest of its useful life. This has problems in that profits can sometimes be negative, leading to unrealistic brand value, and also that profits can be manipulated so may misrepresent brand value. This method uses qualitative measures to decide the portion of economic profits to be accredited to the brand.

*Multi-period excess earnings method* - this method requires a valuation of each group of intangible assets to calculate the cost of capital of each. The returns for each of these are deducted from the present value of future cash flows and when all other assets have been accounted for, the remaining is used as the value of the brand.

*Incremental cash flow method* - Identifies the extra cash flow in a branded business when compared to an unbranded, and comparable, business. However it is rare to find conditions for this method to be used since finding similar unbranded companies can be difficult.

*Royalty relief method* - Assume theoretically a company does not own the brand it operates under, but instead licenses the use from another. The royalty relief method uses available data of similar arrangements in the industry and assigns the value of the brand as the present value of future royalty payments.

***To capture the complex value creation of a brand, take the following five steps:***

1. Market segmentation. Brands influence customer choice, but the influence varies depending on the market in which the brand operates. Split the brand’s markets into non-overlapping and homogeneous groups of consumers according to applicable criteria such as product or service, distribution channels, consumption patterns, purchase sophistication, geography, existing and new customers, and so on. The brand is valued in each segment and the sum of the segment valuations constitutes the total value of the brand.

2. Financial analysis. Identify and forecast revenues and earnings from intangibles generated by the brand for each of the distinct segments determined in Step 1. Intangible earnings are defined as brand revenue less operating costs, applicable taxes and a charge for the capital employed. The concept is similar to the notion of economic profit.

3. Demand analysis. Assess the role that the brand plays in driving demand for products and services in the markets in which it operates, and determine what proportion of intangible earnings is attributable to the brand measured by an indicator referred to as the “role of branding index.” This is done by first identifying the various drivers of demand for the branded business, then determining the degree to which each driver is directly influenced by the brand. The role of branding index represents the percentage of intangible earnings that are generated by the brand. Brand earnings are calculated by multiplying the role of branding index by intangible earnings.

4. Competitive benchmarking. Determine the competitive strengths and weaknesses of the brand to derive the specific brand discount rate that reflects the risk profile of its expected future earnings (this is measured by an indicator referred to as the “brand strength score”). This comprises extensive competitive benchmarking and a structured evaluation of the brand’s market, stability, leadership position, growth trend, support, geographic footprint and legal protectability.

5. Brand value calculation. Brand value is the net present value (NPV) of the forecast brand earnings, discounted by the brand discount rate. The NPV calculation comprises both the forecast period and the period beyond, reflecting the ability of brands to continue generating future earnings. This calculation is useful for brand value modeling in a wide range of situations, such as:

• predicting the effect of marketing and investment strategies;

• determining and assessing communication budgets;

• calculating the return on brand investment;

• assessing opportunities in new or underexploited markets; and

• tracking brand value management.