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Product/Service Management LAP 6 Performance Indicator: PM:021 **Student Guide**

It's a Brand, Brand, Brand World!

Nature of Product Branding

Objectives:

A Describe the characteristics of effective product brands.

B Explain the branding process.

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What makes a product brand g-r-r-r-e-a-t?

So What

How many brands do you encounter every day? There's the brand of your breakfast cereal, the car you ride in to get to school, the pencil or pen you write with, the jeans you're wearing, and the shoes on your feet. Brands are all around you—on your clothes, on your cars, and even on your food!

So why are we surrounded by so many brands? Why do companies feel the need to develop cute names and logos for their products? How do they come up with some of those brands, and what makes a brand successful in this brand-saturated world? Read on, and you'll find out!

What is a product brand?

A **product brand** is a name, term, symbol, or design (or combination of them) that identifies a product and distinguishes it from competitors' products. For example, one popular brand of cereal is Kellogg's Frosted Flakes cereal. Kellogg's is the **trade name**, the name that identifies Kellogg's as the company, and Frosted Flakes is the **brand name**, the part of the brand that can be spoken, such as a word, a phrase, a letter, a number, or any combination of these.

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Some marketers develop additional forms of identification known as brand marks and trade characters. A **brand mark** is a distinctive symbol, design, sound, or group of letters that is seen or heard but cannot be spoken. The Nike "swoosh" is a brand mark. It is instantly recognizable, even without the Nike name. Another example of a brand mark is television network NBC's "chimes," the three-note jingle that is instantly recognizable to most TV fans: http://www.youtube.com/watch?v=SRMpeACi8tY.

And what are **trade characters**? They are brand marks that have been made to seem lifelike. Many cereals feature trade characters on their packaging—for example, Kellogg's Frosted Flakes uses Tony the Tiger, and Lucky the Leprechaun advertises General Mills' Lucky Charms.

Brands, Brands, and More Brands

Now that we know that brands are made up of brand names, brand marks, and trade characters, let's focus on the different types of brands. One type of brand is a manufacturer's brand. A **manufacturer's brand**, also known as a national brand, is one that the manufacturer has assumed all the responsibility of **branding**. That means that the manufacturer plans to make all decisions regarding the use of that brand. Starbucks Coffee is a good example. The Starbucks Coffee company is solely responsible for branding all of its coffees and other Starbucks products.

▲ *Starbucks Coffee is one example of a manufacturer's brand.*

Another type of brand that you might run across is a private brand. A **private brand**, sometimes called a store brand, is a brand owned by an intermediary. What this means is that a supplier, such as Whirlpool, produces a product and places an intermediary's brand on it. In this instance, the products are household appliances, the **intermediary** is Sears, and the intermediary's brand is Kenmore. The Sears family of stores are the only retailers to sell the Kenmore brand of appliances, which are manufactured by the Whirlpool Corporation.

▲ *A private brand is a brand owned by an intermediary. For example, Sears stores are the only retailers to sell Kenmore appliances, which are manufactured by Whirlpool.*

Not only can we identify brands based on who is responsible for the branding, but we can also identify them based on whether they use the same name as several other products or whether they have unique brand names. **Family branding** involves using the same brand for related products in a **product line**. One example of a family brand is Coach, as in Coach handbags and accessories. While each product in the Coach line is unique, they are all related and similar to each other in some ways as well.

Family branding has its advantages. New products are easier to introduce under an accepted, recognized brand, and marketers are more willing to provide shelf space for new members of a family brand. It's easier to add new products to current promotional campaigns for a family brand, and because the products are part of one big "family," the family brand can take on the image of the company. However, if one product in the family is found to be of poor quality, then the entire brand family could suffer.

Rather than being part of a family brand, some products are individually branded. **Individual branding** involves using different brands for products owned by one company. The trade name is not part of the brand, nor is it prominently displayed on the label. For example, PepsiCo uses individual branding for many of its products, including Stacy's Pita Chips, Quaker Oats, and Rice-A-Roni side dishes.

Individual branding also has its advantages. Each individual brand has its own unique identity that is unrelated to other brands owned by the parent company. This uniqueness helps consumers to associate specific benefits with specific brands, which may help the company to retain customers. In addition, individual brands also allow a business to sell to very different markets. Think about PepsiCo again, for example. PepsiCo's brands run the gamut from beverages to breakfast foods to pasta. Its broad range of brands can be sold to an array of markets. If any one of these brands performs poorly, its failure is much less likely to impact the other PepsiCo brands. Unfortunately, due to the uniqueness of each brand, more funds must be put toward promotion to obtain and retain **market share** than would be necessary with a family brand.

▲ *PepsiCo uses individual branding for many of its products, including Quaker Oats, Stacy's Pita Chips, and Rice-A-Roni side dishes.*

What makes a brand name good?

Marketers agree that effective brand names seem to have several characteristics in common. These characteristics include:

- **The name should describe the product's benefits and uses.** A good brand name conveys what a product does for the consumer or how it works. The brand name Reddi-wip, for example, is a good brand name because it tells consumers what it is and it lets consumers know that it is ready anytime, which saves consumers time and effort.
- **The name should be easy to read, pronounce, and remember.** If the name has these qualities, the product will be easy to recognize. Many effective names are brief. Often, they are one-syllable words. Brands such as Sprite and Dell are good names because they are short, memorable, and easy to pronounce.
- **The name should create appealing images.** It's important that a brand name is pleasant and makes people want to buy the product. Lean Cuisine, for example, is an appealing brand name for consumers who want a low-calorie, high-quality meal.

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▲ *Why is Reddi-wip a good brand name? Because it describes the product's benefits and uses.*

- **The name should be distinctive.** The brand name should set the product apart from the competition by not being too common or similar to other brand names on the market. This is especially true of brand names on the Web. Buzzfeed and Google are two online companies that have developed distinctive, successful brand names.

  Many companies try to stand out by using unconventional punctuation or spelling. Just look at Flickr and Tumblr, two companies that used misspellings to create unique names. You can read more about businesses that use this strategy in the article "Off Brands" by Matthew J.X. Malady: http://www.slate.com/articles/life/the_good_word/2014/03/chick_fil_a_spelling_why_so_many_brand_names_have_spelling_and_punctuation.html.

- **The name should be adaptable.** A good brand name should be easy to pronounce in all countries where the product will be marketed, and it must have an acceptable meaning in these foreign countries. In addition, brand names should be "classic" names that won't go out of style. Levi's, Old Spice, and Snickers are all old brand names, yet they have withstood the test of time.

▲ *Brand names should be distinctive—just look at Buzzfeed and Google. These brand names stand out in a crowded market.*

- **The name should be legally available for use.** A business needs to make sure its chosen brand name is not the property of another company, since it is illegal to use another company’s brand name.
- **The name should be appropriate for packaging and advertising.** Because of space limitations in the media and on product labels, the brand name should not be too long. Brief names allow better spacing on packages and advertisements, so shorter names are likely to be more graphically pleasing and noticeable.

▲ *Short brand names, such as Dial, are often more graphically pleasing.*

Why brand?

The primary reasons that brands are used are for identification and **differentiation**. For example, we can tell by the brand that a particular pair of shoes is Adidas versus Reebok. The brand identifies the product and separates—differentiates—it from similar products. And when consumers see a brand that they have used in the past and liked, they are more likely to purchase that brand again, instead of spending time and effort examining other products. Even if a consumer hasn’t purchased a particular brand before, s/he is more apt to select it rather than a competitor’s if that brand name is clever and attention getting.

Brands also lead consumers to develop certain expectations of products. Consumers often expect a brand to provide predictable, consistent quality and performance. They believe any new products sold under the same brand will have the same quality. The brand, therefore, adds value to these products. For example, customers expect new products sold under the Apple name to be of the same quality as existing Apple brand products. Consumers may even associate a brand with a certain price level and standard of performance. Consider two very different automobile brands: Porsche and Kia. Which brand do you associate with a high price and high performance?

Not only do brands provide certain advantages for customers, but they also provide benefits for businesses. When consumers get into the habit of buying certain brands, they automatically buy them again. This reduces the amount of time and promotion needed to make future sales, and it results in brand loyalty.

▲ *Brands can lead consumers to develop certain expectations of products. What do customers expect of Apple brand products?*

Brands usually pass through successive stages of **brand loyalty**, which is customers' allegiance to a particular brand. First comes **brand recognition**, when consumers become aware of a brand and know a bit about it. Next is **brand preference**, when consumers prefer to purchase a certain brand based on their positive experience with the brand. However, if that brand is not available, the consumer will purchase another brand. And when consumers insist on "their" brand and will not accept a substitute, the brand has reached **brand insistence**. Only that particular brand will satisfy a customer for a given purpose. Most brands never make it to this stage of brand loyalty. Coca-Cola is one example of a brand that has made it to the brand insistence stage, though. There are many Coke consumers who simply will not drink any other brands of cola. And when brands make it to the brand insistence stage, they also have a tendency to develop a competitive advantage in the marketplace. If consumers associate a particular benefit with a particular brand (or vice versa), then the brand can develop an edge over its competitors.

▲ *Many Coca-Cola fans won't drink any other brand of cola. When consumers won't accept a substitute for "their" brand, the brand has reached brand insistence.*

The Gray Zone

Some environmentally conscious customers prefer buying from small brands because they trust the brands' values. However, many of these brands aren't actually small at all—they're owned by huge companies! Check out this article, "13 Small Eco Brands That Are Actually Owned By Giant Corporations" by Kim Bhasin and Patricia Laya, to learn about some popular "small" brands that are owned by companies like Clorox, General Mills, and Kellogg's:
http://www.businessinsider.com/13-ethical-mom-and-pop-brands-that-are-actually-owned-by-giant-corporations-2011-10?op=1#ixzz3AOkGDQhQ.

While these big corporations aren't exactly lying about their involvement with the small brands, they *are* using individual branding. Customers might never know the products are owned by a larger company if they don't do some research. And, as the article explains, the companies sometimes change key components of the smaller brands' manufacturing processes or ingredients without telling customers. Some customers are shocked and disheartened to find out that their favorite brands may be owned by companies that don't share their values.

What do you think? Is it ethical for large companies to market small brands as being local, natural, or eco-friendly, when they are in fact owned by huge corporations? Or, as long as companies aren't outright lying, do customers have the responsibility to do their own research on the products they buy?

Summary

A product brand identifies a product and sets it apart from competitors' products. There are many different types of brands, including manufacturer's brands, private brands, family brands, and individual brands. Regardless of the type of brand, good brand names possess certain qualities, and they create advantages for consumers and businesses.

1. Explain the differences among product brands, trade names, brand names, brand marks, and trade characters.
2. What are four types of brands?
3. Why is it important that a brand name be adaptable?
4. How should a brand name be appropriate for packaging and advertising?
5. What are two main reasons why brands are used?
6. Describe the three stages of brand loyalty.

How do product brands come to life?

To Brand or Not to Brand

At first glance, you might have assumed that product brands were merely thought up, labels slapped on, and products made available. But, branding involves much more than that. It starts with the decision of whether to even brand a particular product.

Branding is an expensive process. Researching, developing, and marketing a new brand can cost thousands, even millions, of dollars. Businesses must evaluate their products, their own resources, and the marketplace in order to make the decision whether to brand. A business might ask itself:

- Can the product be easily identified by a brand?
- Are there funds to promote the brand?
- Will the brand be profitable?
- Does the firm have the necessary personnel to support the brand?

▲ *Product branding isn't a simple process! It involves a lot of research, development, and marketing.*

When the answers to these questions are "no," the business may choose to sell the product without a brand. **Generic items** are unbranded products that are plainly packaged, have lower or standard quality, are sold at lower prices than branded products, and receive little or no promotion. Paper towels and toilet paper are popular generic items. They sell well because some consumers feel the products are a good buy at the lower price.

▲ *Products don't always have brands! Generic items are plainly packaged and receive little or no promotion.*

The Birth of a Brand

After determining whether to brand particular products, most businesses go through a very similar branding process. While a small business may take a more simplified approach to selecting a brand than a large corporation, here are the stages of the branding process that most businesses grapple with:

Determining brand objectives. Once a company decides that it is indeed going to brand a new product, then the next step is to determine brand objectives. What are the goals of this brand? What should the brand stand for? How should the brand function? For example, should the brand tell the consumer how good the juice tastes or emphasize how nutritious it is? Or, should a pharmaceutical brand tell the consumer how much happier s/he will be after taking the medication, or should the brand focus on the medical benefits of the drug?

Brainstorming. Next, a company should develop a lengthy list of brand name possibilities. Brand ideas can come from many sources: brand or product managers, employees, the company president, the research and development staff, and consumers. Some businesses even pay outside agencies to develop potential brand names. After this long list of brand names has been developed and reviewed, the list of names may be narrowed down to a more manageable number, perhaps five to ten possibilities.

Determining the acceptability of brand possibilities among different cultures. Marketers must research their brands to determine whether they would be acceptable in different cultures and countries. How would this particular brand name be pronounced in Spanish? In Mandarin? In Japanese? What is the literal translation of this name in these languages? Would this brand name be culturally **taboo** in certain areas of the world? Depending on the intended market for a particular brand, these are very serious issues to deal with.

Testing the brands with consumers. Marketers should also test their brands with consumers. Which of the brand candidates is most memorable? Which brand fits best with the product? Which brand(s) should not be considered at all?

Would you ever use a laundry detergent called Barf? Probably not! Some brand names can end up being embarrassing or offensive in other languages. Check out the article "International Business: Some Brand Names Don't Translate Well" by Adam Wooten: http://www.deseretnews.com/article/700078810/Some-brand-names-dont-translate-well.html?pg=all.

Checking the legality of brands. Another important step in the branding process is to determine whether someone else owns the trademark for the potential brands. A **trademark** is a word, name, symbol, or device used by a manufacturer or merchant to identify and distinguish its goods from those manufactured and sold by others. If another company already owns the trademark for a particular brand, then it has exclusive rights to it. No other company is permitted to use that brand without permission.

Determining what URLs are available. Any company that wants its brands to be successful must have an online presence, and a website is generally the bare minimum. Companies should determine whether the **URL** they want to use for their brand is available. If it is in use by another business, this can present problems. Companies should also consider the availability of social media accounts for their brand. For example, will it be easy for the company to secure a Twitter handle for the brand, or is the preferred handle already in use?

Even if a company's preferred domain name isn't available, it's not the end of the world! "When Should Domain Names Match Company Names?" by Karen E. Klein explains tactics businesses can take when their ideal web address isn't available: http://www.businessweek.com/articles/2012-05-11/when-should-domain-names-match-company-names.

▲ *Part of the branding process involves determining whether someone else owns the trademark or the desired URL for the brand.*

Selecting the best brand for the product. The last step in the initial branding process is to select the best brand for the product. There is no right or wrong formula for completing this last step, but ultimately, the brand that the company considers to be the most appropriate and effective in persuading consumers to buy is the one that the business should choose.

Branding Strategies: Where Companies Go Next

Once a brand is selected, businesses take a serious look at their **branding strategies**, which are the actions that a company needs to take with an established brand to accomplish its goals. Effective use of brand strategies helps to make brands more successful. Frequently used brand strategies are brand positioning, brand extension, brand licensing, and co-branding.

Brand positioning. Brand position really means the way that consumers see the brand as compared to competitive brands. The marketer's goal in positioning a brand is to try to establish the "point of difference"—the factor that separates the brand from its competitors. What makes this brand special? What are its benefits? Marketers must ask these questions to create the right image for their brand—the image that will make their brand successful.

▲ *Marketers position their brands to establish the "point of difference"—the factor that separates the brand from its competitors.*

Brand extension. Some companies use brand extensions, in which an existing brand name is used for a new or improved product line. Cheerios cereal, for example, is a brand that has successfully extended its brand to include similar products. You can read about the company's successful (and failed) brand extensions in the article "General Mills Makes Cheerios a Serial Business" by Mike Hughlett: http://www.startribune.com/business/141221743.html.

Brand licensing. Brand licensing allows one company to use another's brand name, logo, or character for a fee. Sometimes cartoon characters, like SpongeBob Squarepants, are licensed for use on food products like gummy snacks or macaroni and cheese. Although licensees produce and sell these products, they become, in effect, extensions of the core brand.

Co-branding. Increasingly, companies are joining forces, or co-branding, to increase recognition, customer loyalty, and sales for both brands. Pizza Hut and Taco Bell have developed co-branding arrangements, as have KFC and Long John Silver's. Co-branding benefits both companies: it broadens both companies' target markets and increases their profits.

Learn about what makes co-branding work in this article, "The Secrets of Successful Co-Brands" by Michelle Greenwald: http://www.inc.com/michelle-greenwald/innovative-co-branding-and-creative-partnerships.html.

▲ *Co-branding can be a way to broaden both companies' target markets and increase their profits. How does co-branding benefit KFC and Long John Silver's?*

Summary

Branding is not an easy process. It involves much research and decision making. While some companies may move through the stages of branding quickly, other companies are more deliberate in their branding process. Even after a brand is established, there are still many more decisions that must be made—all part of a company's branding strategies.

Make It Pay!

Look around your classroom. What brands do you see? What brands are your textbooks, your school supplies, and your clothes? Out of all of the brands you can identify right now, which brands do you think are the most effective? Why? What qualities do those brands possess that make them successful?

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1. What are generic items?
2. What are the stages of the branding process?
3. Explain three types of branding strategies.

