What's in a name?

Branding: what it means to you and your customer

It is quite ironic that the words ''brand'' and ''branding'' have become so widely used in the business arena over the past few decades yet so many people fail to agree on what they mean. To illustrate the point, David Haigh and Jonathan Knowles, both executives in branding, offer three of the definitions in currency:

1. ''A logo and associated visual elements.'' This, the most focused of the definitions, sees a brand as simply the trade names, trade symbols and trademarks that a company creates and legally protects as a way of differentiating itself from its competitors within the marketplace. A logo becomes a brand when it becomes associated with positive values through the extensive provision of good products and good services.
2. ''A larger bundle of trademark and associated intellectual property rights.'' Beyond the visual elements of branding, this definition includes intangible marketing tools such as domain names, packaging, written copy, advertising and product design rights – all of which can be registered and legally protected. Further than this, though, the term ''property rights'' often also takes into account those other assets that are required to deliver the promises of the brand. These may be specific knowledge and expertise, perhaps in the form of research, data, or software, or processes such as business models, supply chain figurations and manufacturing techniques. Intangible assets may also refer to market position intangibles, which are things like licenses, contracts, government permits and production quotas. This larger bundle of property rights is included in this definition of a brand because many believe that they have a big part to play in building customer loyalty and maintaining brand quality and integrity. The brand is, then, something much deeper than merely a logo.
3. ''A holistic company or organizational brand.'' The widest definition of the three incorporates the whole organization. Here, branding includes all of the protected visual elements and intellectual property rights but must also include the culture, people and programs in place as all of these are important in how one company marks itself as different from another. Taking this definition of branding is to see the CEO as the ultimate brand manager of the organization. It is also to understand the words ''brand'' and ''reputation'' as being very closely related.

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This third understanding of where a brand comes from should lead to the realization that the power of branding has a wider scope than is often thought. The majority of branding strategies are approached with only the end user in mind. The common assumption is that a high profile brand will attract more buyers away from the competition, and the more these buyers are prepared to pay compared to the price of a similar unbranded product will highlight how powerful that brand is. But to understand branding in this simple-minded way is to overlook both wider benefits and potential drawbacks.

If a company has a strong organization brand with associations of goodwill and strong performance it is not only the customers who will notice. Further than that, branding has an effect on staff, suppliers, business partners, the trade, regulators and providers of capital – all of which carry a financial impact. A well-positioned brand will attract and retain quality members of staff, often leads to better terms of business and lower discounts within the trade, and can reduce equity and borrowing costs. But how do you go about creating that brand in the right way, and what are the potential risks that might come with it?

Global brands – a sensitive issue

There are a few huge brands that are known throughout the world. Coca-Cola, McDonald’s and Nike, for example, have brand power that leave a great number of firms in envious awe. They are the product of the drive towards creating global brands that began in the 1980s, stemming from the premise that standardizing products all over the world would mean saving costs and consistent customer communication. Yet, despite the undisputed power of these global brands, the last few years have seen a backlash. Images of protestors stomping Coke cans in Seattle and smashing windows at McDonald’s in Switzerland have made headlines, and Naomi Klein’s book *No Logo* has been a bestseller in many languages. In part this negative feeling has a lot to do with the threat global branding makes towards local markets and cultures. Yet it also stems from the position a global brand puts itself in – namely highly visible, highly powerful and therefore prime targets for criticism and attack.

Research involving 3,300 customers in 41 countries showed that people believe global companies have a social responsibility. Because they are seen as rich and powerful, they are expected to address any social problems that may be linked to their product. Failure to do so can lead to lasting damaging consequences – many still haven’t forgiven Shell for the outcry over the Brent Spar oil rig, and there is no doubt that Nestlé lost a fair few customers over the story of infant-formula sales in Africa. In short, global brands are not forgiven for things that smaller businesses can do and get away with. Creating a global brand means meeting and managing a whole series of accompanying expectations.

With big names, then, Haigh and Knowles’ third, most all-encompassing definition of the word brand seems to resonate most strongly with understanding of branding from the consumers’ point of view. Indeed, the study into global companies also showed that the customer equates a global brand with quality, dynamism and better guarantees. Whether they’re right or wrong it means that they are willing to pay premium prices for the product bearing the right logo. Further, global brands bring myths of cultural ideals. As one Argentinean consumer put it, ‘‘Global brands make us feel like citizens of the world, and . . . they somehow give us an identity.’’ A similar sentiment came from a Costa Rican: ‘‘Local brands show what we are; global brands show what we want to be.’’ It’s not difficult to see why marketers crave this kind of brand recognition, but they are warned that if they don't handle their privileged status well consumers' loyalty is easily lost.

Branding in the wrong hands

Mark Ritson makes a similar point. His worry is that the power of strong branding is now so well recognized that insufficiently skilled people try to emulate it and therefore weaken what branding actually means. Too often the marketer is happy to focus on the superficial and not the substance, and as a result branding becomes a false exercise, applied to all of pop stars, pets and countries. The upshot of that is that business leaders have started to ridicule the word, unconvinced by its continued importance. Considering the fact that during the period August 1994 through December 2000, a portfolio of 111 highly branded companies produced a monthly return that was 0.57 percent above average, at a beta of 0.85, it is no doubt a mistake for business managers to lose faith in what branding can do and turn away from it. Instead, brand management is an issue that needs to be put into experienced hands who will treat it delicately and from a strong background of business understanding. For a full understanding of what a brand can mean, along with the ability to handle its strength and drawbacks, will still undoubtedly deliver a positive financial impact.

Comment

This is a review of ''How to define your brand and determine its value'' by D. Haigh and J. Knowles, ''How global brands compete'' by D.B. Holt, J.A. Quelch and E.L. Taylor, and ''Branding desperately needs to rebrand itself'' by M. Ritson.

''How to define your brand and determine its value'' begins by discussing the three main definitions of brand. It then asserts that, with functional differences between products and services becoming smaller, brands are now the basis for meaningful differentiation between competing offers. The article then considers how market research metrics can be tied to value, remarking that the narrower valuation approaches suit technical valuations.

''How global brands compete'' asks how global branding should be managed at a time when transnational companies are affected by anti-globalization protests from non-governmental organizations and political parties. The article gives the results from research that was carried out in 12 countries into the dimensions that affect consumers' purchase preferences for global brands, and provides some discussion of them. Finally, the article describes four global consumer segments and shows their relative representation in a selection of countries.

Keywords:
Brand management,
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Globalization,
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Mark Ritson states that the biggest challenge brand managers will face over the next decade will be protecting the brand of a brand. His argues that marketers' inability to focus on substance over superficiality and to speak the language of business means the brand of brand is in crisis and only marketers themselves can save the profession.

References

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