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The changing face of brand management

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Brandingo has dominated marketing literature for several decades. Though branding is an age old concept, brand management is believed to have emerged in 1931 when the president of Procter & Gamble decided that each P&G brand should have its own brand assistants and managers dedicated to the advertising and other marketing activities for the brand.

A separate sales department was responsible for getting products onto retailers' shelves. The branding strategy required companies to spend heavily on mass media campaigns and build a brand in the belief that the world would then beat a path to their door. Long-standing brands such as Marlboro, Coca-Cola, Xerox, IBM and Intel are considered to be among the world's most valuable assets. This has motivated many companies to base their strategies almost entirely on building brands.

Basically, brands were created by marketers to address the different needs of different segments of customers and for easy identification. The marketing department of yesteryears thrived on the brand management principles. It was involved in researching consumer attitudes and desires and identifying unmet needs. It was able to come up with modifications, often trivial ones, to existing products that appealed to different segments or market niches. Then, it went through the process of new product development, packaging design, positioning and promoting the product. This helped marketers to play the role of liaison men between the company and its customers.

However, the time-tested method of brand management is coming under tremendous pressure as more and more companies have started restructuring their marketing departments. There are several reasons for the decline of branding in general and brand management in particular.

Mindshare vs marketshare

Basically, people patronise a brand as a risk reduction strategy. When a customer is not competent enough to evaluate the quality of a product, and the differences in the brands that are available in the market are many, customers will tend to stick to known and popular brands. When all the products offer more or less the same quality, then the choice should automatically depend on price and availability in convenient outlets. We see this happening in a number of product categories such as toiletries, biscuits, hot beverages and so on.

In the case of high-priced items, proliferation of models by competitors is a clear indication that the category is moving towards commoditisation. It clearly shows that the consumers for that product category have evolved to a stage where they do not want to settle for the leading brand, but they would choose that model which comes closest to their requirement. Here again, the choice does not depend on the brand image, but on the value offered by the product. Ultimately it should lead to customisation of products to suit individual requirements.

It is not suggested that marketers do away with branding. What is being questioned is the notion that a good brand can compensate for other shortcomings in the product and competitive pressures. Once the customers get educated, then the market dynamics changes. People do associate products with leading brands, such as Sony with television, Casio with calculators, Tiger Balm with pain relievers, IBM with computers and so on. However, this mindshare does not translate into marketshare; otherwise these brands should command close to an 80 per cent marketshare in their respective product categories.

Brands are needed for identification, but the fundamentals have to be good to get customers to buy the products. As the product gets closer to the commodity stage, customisation and value for money are the two factors that can help.

Brand equity to business equity

Brand equity occupied the centre stage of marketing during the 1990's. The basic idea is that most of the assets of any business are intangible -- its company name, brands, symbols, and slogans, and their underlying associations, perceived quality, name awareness, customer base, and proprietary resources such as patents, trademarks, and channel relationships.

According to David Aaker (1991) these assets, which comprise brand equity, are a primary source of competitive advantage and future earnings. Several research studies were done in the area of brand equity measurement and management.

Customer equity: However, with the advent of the Internet era, things have started taking a different shape. The days of mass marketing are coming to an end. Retailers are now moving away from the traditional segmented approach to marketing to customising relationships with individual customers. Instead of maximising value per transaction they are now able to exploit the lifetime value of a customer by taking a holistic approach to customer satisfaction and building a relationship with individual customers. All this is possible mainly due to the use of IT in retailing. With the introduction of tele-shopping, online shopping and virtual shopping malls, the retailing wars of the future are not likely to be fought in the marketplace, but rather in the virtual marketspace.

Current marketing thinking revolves around the fact that it costs less to retain customers than to compete for new ones. Marketers have realised that it makes immense sense to retain customers for life, rather than merely making one-time sales. It is now established that building a closer relationship with customers results in better returns for companies through the following means:

* Increased use of company services by loyal customers.

* Charging of price premiums for customised services.

* Referrals by satisfied customers that bring new customers.

Customer Relationship Management (CRM) revolves around the management of the customer life cycle.

Companies start with customer acquisition either through traditional advertising or through referrals. Then, they move on to customer development through personalisation of communication and customisation of products and services through a mutual learning process. They then go on to leverage the customer equity through cross selling and up selling. They also work for the retention of existing customers and also benefit from the new customers that they get through personal referrals from existing customers. As a result of these developments, companies now have started placing greater emphasis on customer equity as customers are seen as the greatest assets of a company.

Value equity: Having customers or owning a brand alone will not ensure success in any business. Fundamentally companies need to offer value to customers. Earl Naumann

(1994) says that the key success factor for every business -- manufacturing, service, or retail -- is the ability to maximise customer value. Product quality alone is not enough. Customers must be integrated throughout a firm's decision-making process. And, from that re-engineered corporate culture must flow three imperatives: product quality, service quality, and value-based pricing.

The components of value equity are quality, cost and service. The unique ways in which a company is able to deploy its value creating assets such as raw materials, production facilities, distribution network and its core competencies will determine its success.

Value has been the prime focus of researchers in the area of strategic management. The most notable among them is the value chain approach, to gain competitive advantage, developed by Porter. Later, researchers like Hammel and Prahalad added intangible assets such as core competencies to create better value and thereby gain a competitive advantage.

Business equity: Based on the above discussions, it is clear that a company will need to build and nurture all three equities, namely, brand equity, customer equity and value equity. A new term, business equity is introduced here to explain the combined effect of these three equities.

Brand equity is not defined in the traditional sense of the name being used to charge a price premium or to gain customer loyalty. In the mass marketing era goods were mass produced, mass distributed and advertised using mass media, and the companies had no means to interact with customers on a one-to-one basis. Hence, brand equity substituted for customer equity. Now that we can have a separate measure of customer equity, we need to define brand equity in a new way.

In this age of interactivity, some authors believe that brand equity should look at the total brand experience. However, whatever can be attributed to the customer, such as brand experience, emotional attachment with the brand, trust and long-term relationships with the company are clubbed under customer equity.

In any case, we cannot do away with brands. Most brands will be company brands or umbrella brands for a category of products. They will now project a consistent message to the public including customers, users of competing products/services, suppliers, intermediaries and the general public. Brand recognition by users as well as others, brand image and brand personality form part of brand equity. Sponsoring of some socially relevant and useful activities will also help the brand project itself as a good corporate citizen.

Business equity draws from the combined synergistic effect of all three equities. If any one component is out of sync with any other component, the overall business equity would tend to suffer. There is no point in simply having phenomenally high brand equity while the other two components are weak. Merely having a known brand name, such as Marlboro, may not suffice. Nor can we build customer equity without possessing value equity. Managers should learn to take an integrated perspective and this model may be of great help in providing the same.

In sum, branding as it was used during the mass marketing era will not be relevant in the Internet era. At the same time we cannot totally ignore branding, which will amount to throwing out the baby with the bath water. What we need is an integrated business equity model that combines brand, customer and value equities. It has become possible to measure and nurture customer equity due to the emergence of new technologies that have made it possible to personalise communication and customise products to the needs of the individual customer. Value has been the prime focus of many researchers in the area of strategic management, including Porter, who propounded the value chain approach to developing competitive advantage. While value forms the foundation, customer relationships form the core and brand image forms the topping of the business equity model.

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