

Understanding Brands and Brand Equity

The American Marketing Association defines a **brand** as “**a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.**” A brand is thus a product or service whose dimensions differentiate it in some way from other products or services designed to satisfy the same need. These differences may be functional, rational, or tangible—related to product performance of the brand. They may also be more symbolic, emotional, or intangible—related to what the brand represents or means in a more abstract sense.

Branding has been around for centuries as a means to distinguish the goods of one producer from those of another. Brands today play a number of important roles that improve consumers’ lives and enhance the financial value of firms.

The Role of Brands

Brands identify the maker of a product and allow consumers to assign responsibility for its performance to that maker or distributor. Brands perform a number of functions for both consumers and firms.

Brands' Role For Consumers: A brand is a promise between the firm and the consumer. It is a means to set consumers' expectations and reduce their risk. In return for customer loyalty, the firm promises to reliably deliver a predictably positive experience and set of desirable benefits with its products and services. A brand may even be "predictably unpredictable" if that is what consumers expect, but the key is that it fulfills or exceeds customer expectations in satisfying their needs and wants.

Brands' Role For Firms: Brands also perform valuable functions for firms. First, they simplify product handling by helping organize inventory and accounting records. A brand also offers the firm legal protection for unique features or aspects of the product. The brand name can be protected through registered trademarks, manufacturing processes can be protected through patents, and packaging can be protected through copyrights and proprietary designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset.

Branding is the process of endowing products and services with the power of a brand. It's all about creating differences between products. Marketers need to teach consumers “who” the product is—by giving it a name and other brand elements to identify it—as well as what the product does and why consumers should care. Branding creates mental structures that help consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm.

Brand equity is the added value endowed to products and services with consumers. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share, and profitability it commands.



Customer-based brand equity is the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand has positive customer-based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified than when it is not (say, when the product is attributed to a fictitious name or is unnamed).

Let's look at the three key ingredients to this definition:

- (1) "differential effect,"
- (2) "brand knowledge," and
- (3) "consumer response to marketing."

First, brand equity arises from differences in consumer response. If no differences occur, then the brand-name product can essentially be classified as a commodity or a generic version of the product. Competition, most likely, would then just be based on price.

Second, these differences in response are a result of consumers' knowledge about the brand, that is, what they have learned, felt, seen, and heard about the brand as a result of their experiences over time. Thus, although strongly influenced by the marketing activity of the firm, brand equity ultimately depends on what resides in the minds and hearts of consumers.

Third, customers' differential responses, which make up brand equity, are reflected in perceptions, preferences, and behavior related to all aspects of brand marketing, for example, including choice of a brand, recall of copy points from an ad, response to a sales promotion, and evaluations of a proposed brand extension.



TABLE 11.1

Marketing Advantages of Strong Brands

Improved perceptions of product performance

Greater trade cooperation and support

Greater loyalty

Increased marketing communications effectiveness

Less vulnerability to competitive marketing actions

Possible licensing opportunities

Less vulnerability to marketing crises

Additional brand extension opportunities

Larger margins

Improved employee recruiting and retention

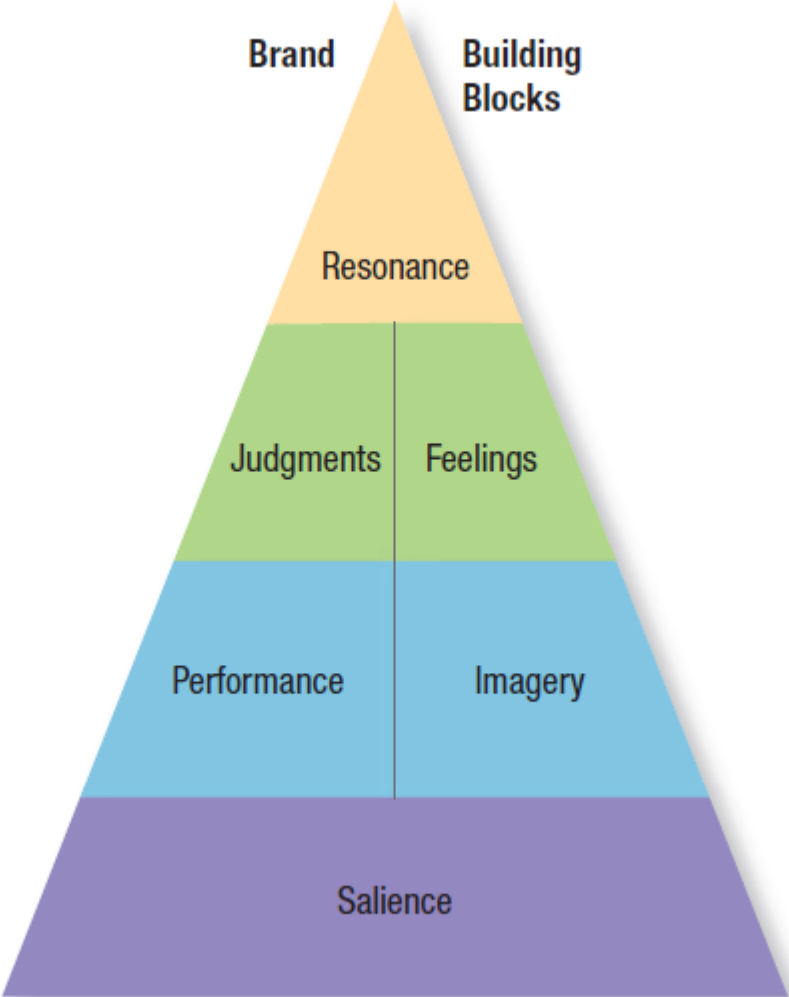
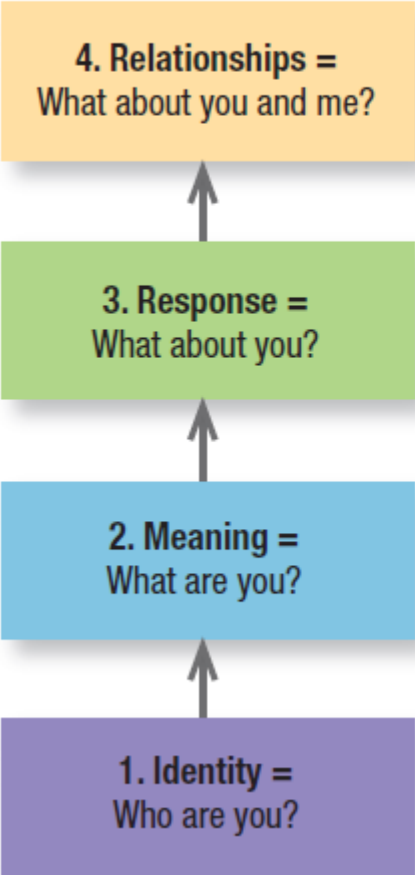
More inelastic consumer response to price increases

Greater financial market returns

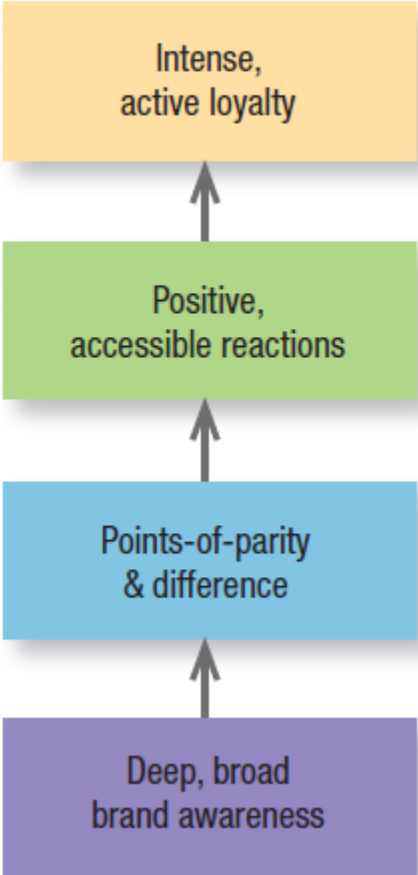
More elastic consumer response to price decreases

Brand Resonance Model

Stages of Brand Development



Branding Objective at Each Stage



Creating significant brand equity requires reaching the top of the brand pyramid, which occurs only if the right building blocks are put into place.

- **Brand salience** is how often and how easily customers think of the brand under various purchase or consumption situations—the depth and breadth of brand awareness.
- **Brand performance** is how well the product or service meets customers’ functional needs.
- **Brand imagery** describes the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers’ psychological or social needs.
- **Brand judgments** focus on customers’ own personal opinions and evaluations.
- **Brand feelings** are customers’ emotional responses and reactions with respect to the brand.
- **Brand resonance** describes the relationship customers have with the brand and the extent to which they feel they’re “in sync” with it.

Building Brand Equity

Marketers build brand equity by creating the right brand knowledge structures with the right consumers. The success of this process depends on all brand-related contacts—whether marketer-initiated or not. From a marketing management perspective, however, there are three main sets of brand equity drivers:

- 1. The initial choices for the brand elements or identities making up the brand (brand names, URLs, logos, symbols, characters, spokespeople, slogans, jingles, packages, and signage)**—Microsoft chose the name Bing for its new search engine because it felt it unambiguously conveyed search and the “aha” moment of finding what you are looking for. It is also short, appealing, memorable, active, and effective multiculturally.
- 2. The product and service and all accompanying marketing activities and supporting marketing programs**
- 3. Other associations indirectly transferred to the brand by linking it to some other entity (a person, place, or thing)**—The brand name of New Zealand vodka 42BELOW refers to both a latitude that runs through New Zealand and the percentage of the drink’s alcohol content. The packaging and other visual cues are designed to leverage the perceived purity of the country to communicate the positioning for the brand.

Choosing Brand Elements

Brand elements are devices, which can be trademarked, that identify and differentiate the brand. Most strong brands employ multiple brand elements. Nike has the distinctive “swoosh” logo, the empowering “Just Do It” slogan, and the “Nike” name from the Greek winged goddess of victory.

Marketers should choose brand elements to build as much brand equity as possible. The test is what consumers would think or feel about the product if the brand element were all they knew. Based on its name alone, for instance, a consumer might expect SnackWell’s products to be healthful snack foods and Panasonic Toughbook laptop computers to be durable and reliable.

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Brand Element Choice Criteria

There are six criteria for choosing brand elements. The first three—memorable, meaningful, and likable—are brand building. The latter three—transferable, adaptable, and protectable—are defensive and help leverage and preserve brand equity against challenges.

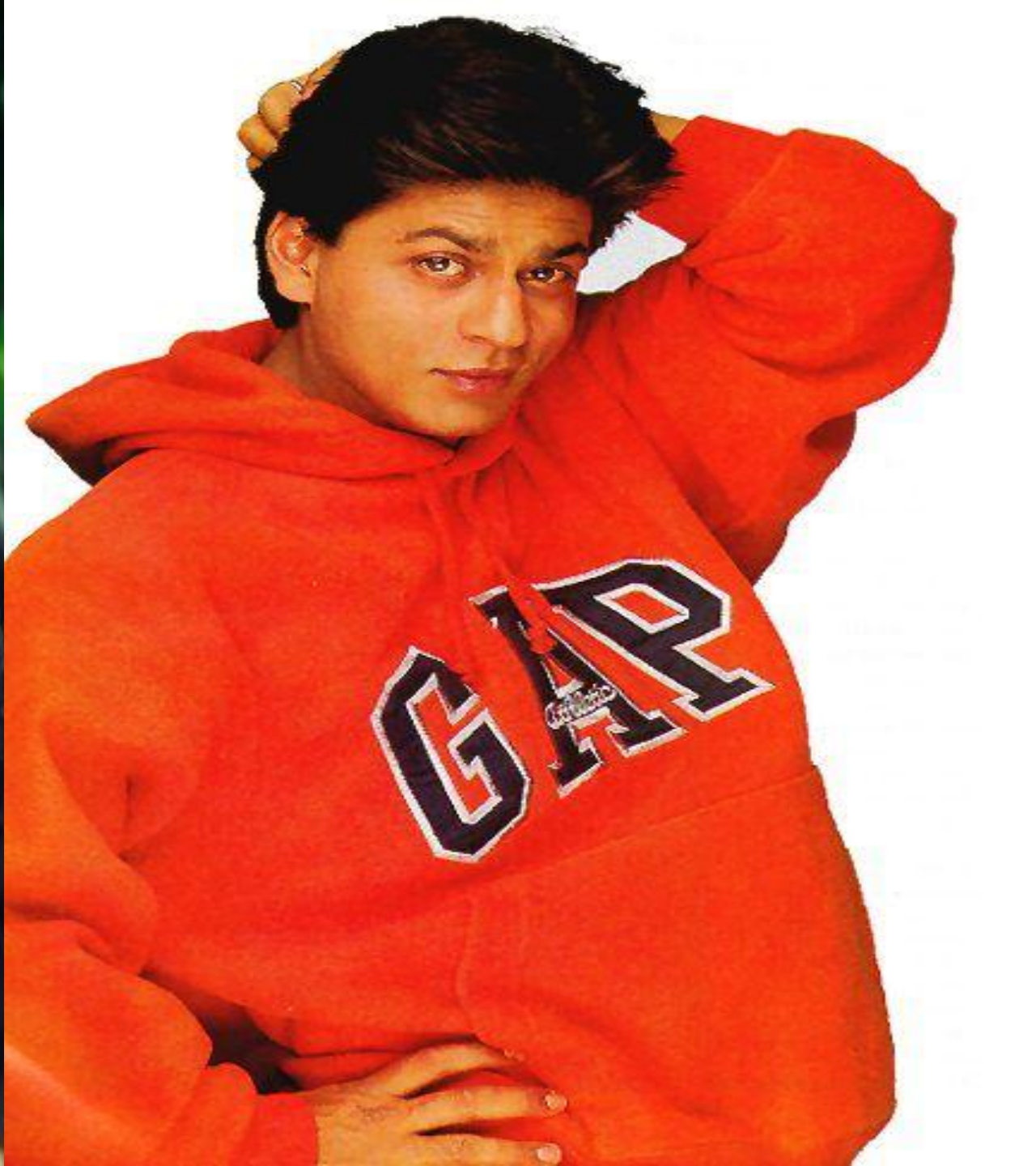
- 1. Memorable**—How easily do consumers recall and recognize the brand element, and when—at both purchase and consumption? Short names such as Tide, Crest, and Puffs are memorable brand elements.
- 2. Meaningful**—Is the brand element credible? Does it suggest the corresponding category and a product ingredient or the type of person who might use the brand?
- 3. Likable**—How aesthetically appealing is the brand element? A recent trend is for playful names that also offer a readily available URL, especially for online brands like Flickr, Instagram, Pinterest, Tumblr, Dropbox, and others.
- 4. Transferable**—Can the brand element introduce new products in the same or different categories? Does it add to brand equity across geographic boundaries and market segments?
- 5. Adaptable**—How adaptable and updatable is the brand element? Logos can easily be updated.
- 6. Protectable**—How legally protectable is the brand element? How competitively protectable? When names are in danger of becoming synonymous with product categories—as happened to Kleenex, Kitty Litter, Jell-O, Scotch Tape, Xerox, and Fiberglass—their makers should retain their trademark rights and not allow the brand to become generic.

House of Brands Versus a Branded House


The use of individual or separate family brand names has been referred to as a “house of brands” strategy, whereas the use of an umbrella corporate or company brand name is a “branded house” strategy. These two strategies represent two ends of a continuum. A sub-brand strategy falls somewhere between, depending on which component of the sub-brand receives more emphasis.



The logo change at Gap North America





1969–1985 



DESIGNER: Art Twain

TYPOGRAPHY: Custom

LAUNCHED: August 21, 1969

1985–1988 



This logo appeared on a storefront in the fictional Starcourt Mall in the third season of [Stranger Things](#).

Gap

1988–present 

1988–2016 



DESIGNER: Pierre Rademaker of
Rademaker Design

TYPOGRAPHY: Spire

LAUNCHED: July 1988

2010 



DESIGNER: [Laird & Partners](#)

TYPOGRAPHY: Helvetica Neue Bold

LAUNCHED: October 4, 2010

Crowdsourcing the new logo is equally problematic. The benefit of crowdsourcing the new Gap logo would be that the crowdsourcing exercise can increase involvement with the Gap brand and may even lead consumers to promote the Gap brand to their peers. This involvement can increase the level of identification with the brand in a manner that passive advertising could never do.

However, such a crowdsourcing exercise has a number of drawbacks.

First, participants will submit logos that are based on their own taste and not necessarily aligned with the brand personality, brand positioning, or the company's vision for the brand. Since the logo is the visual representation of the brand, it should be designed by experts in visual communication, based on research about brand personality, brand equity, and the company's vision for the brand.

Second, when people are given the opportunity to vote on a new logo democratically, they may vote based on personal taste rather than based on brand fit. Thus, Gap may end up with a logo that does not match the brand personality.

Third, crowdsourcing contests have the disadvantage that many participants are left disappointed, because their submissions were not chosen, while another submission – maybe one they don't like – was selected. Thus, the result may be the same as with the new logo introduced by Gap: many dissatisfied customers because of a radical logo change. Fourth, when an idea that people have submitted is actually used commercially, an ethical company should compensate the creator for the commercial success the company derives from this. Thus, crowdsourcing is certainly not a means of securing a new logo at low cost.

2016-present 

GAP

DESIGNER: *Unknown*

TYPOGRAPHY: Spire

LAUNCHED: January 1, 2016