CHAPTER NINE
BUILDING AND MANAGING BRAND EQUITY

> You do not merely want to be considered just the best of the best. You want to be considered the only ones who do what you do.
>
> —*Jerry Garcia, The Grateful Dead*

> You cannot make a business case that you should be who you're not.
>
> —*Jeff Bezos, Amazon*

> The secret of success is constancy of purpose.
>
> —*Benjamin Disraeli*

A business strategy is enabled by brand assets. A brand gives a firm permission to compete in product markets and services and it represents the value proposition of the business strategy. Thus, it is strategically crucial to develop, refine, and leverage brand assets.

Research shows that the value of brand assets, compared with other intangible assets (such as people and IT technology) and tangible assets, represents from 15 percent (Toyota and GE) to more than 75 percent (BMW and Nike) of the value of the firm. Even the lower number is significant strategically.

Brand equity is the set of assets and liabilities linked to the brand. The conceptualization of brand equity, which occurred in the late 1980s, was pivotal because it changed the way that marketing was perceived. Where brand image could be delegated to an advertising manager, brand equity—as a key asset of the firm—needed to be elevated to become part of the business strategy, the purview of the CEO. Top management had to be strategic and visionary instead of tactical and reactive, long term in orientation, and use a different set of metrics. It truly changed the role of marketing and paved the way for the creation of the chief marketing officer (CMO) role.

There are three types of brand assets—brand awareness, brand loyalty, and brand associations (see Figure 9.1). Each creates formidable competitive advantages and each needs to be actively managed.

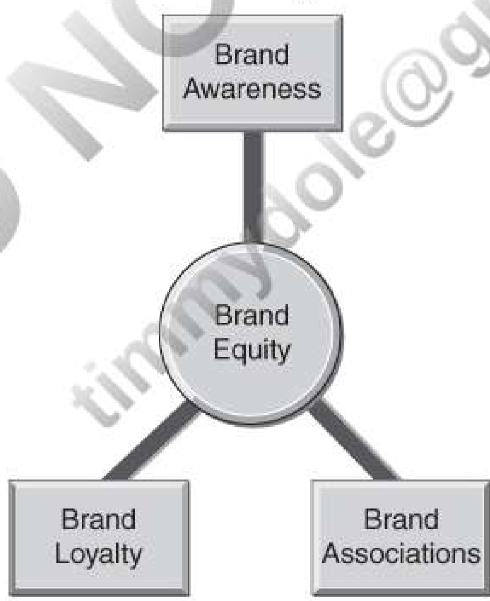

Figure 9.1 Brand Equity

BRAND AWARENESS

Brand awareness is often taken for granted, but it can be a key strategic asset. In some industries that have product parity, awareness provides a sustainable competitive difference. It serves to differentiate the brands along a recall/familiarity dimension.

Brand awareness can provide a host of competitive advantages. First, people like the familiar and awareness provides the brand with a sense of familiarity. For low-involvement products, such as soap or chewing gum, familiarity can drive the buying decision. Taste tests of such products as colas and peanut butter show that a recognized name can affect evaluations even if the brand has never been purchased or used.

Second, brand awareness can be a signal of presence, commitment, and substance, attributes that can be very important even to industrial buyers of big-ticket items and consumer buyers of durables. The logic is that if a name is recognized, there must be a reason. The "Intel Inside" program was remarkably successful at creating a perception of advanced technology and earned a significant price premium for Intel for well over a decade even though it did not communicate anything about the company or the product. Pure awareness power was at work.

Third, the salience of a brand will determine if it is recalled at a key time in the purchasing process. The initial step in selecting an advertising agency, a car to test drive, or a computer system is to decide on which brands to consider. The extreme case is name dominance, where the brand is the only one recalled when a product class is cued. Consider Kleenex tissue, Clorox bleach, Band-Aid adhesive bandages, Jell-O gelatin, Crayola crayons, Facebook, and A-1 steak sauce. In each case, how many other brands can you name? How would you like to compete against these dominant brands?

Brand awareness is an asset that can be extremely durable and thus sustainable. It can be very difficult to dislodge a brand that has achieved a dominant awareness level. Customers' awareness of the Datsun brand, for example, was as strong as that of its successor, Nissan, four years after the firm changed its name.[1] An awareness study on blenders more than two decades after GE stopped making the product found that the GE brand was still the second-most preferred brand.[2] Another study of familiarity asked homemakers to name as many brands of any type as they could; they averaged 28 names each. The ages of the brands named were surprising: more than 85 percent were over 25 years old, and 36 percent were more than 75 years old.[3]

There is a great deal of difference between recognition (have you ever heard of Brand X) and unaided recall (what brands of SUVs can you name). Sometimes recognition for a mature brand is not even desirable when unaided recall is low. In fact, brands with high recognition and low recall are termed graveyard brands. Without recall, they are not in the game; their high recognition means they are considered yesterday's news, making it difficult for them to gain visibility and energy.

Because consumers are bombarded every day by more and more marketing messages, the challenge of building awareness and presence—and doing so economically and efficiently—is formidable, especially considering the fragmentation and clutter that exist in mass media. One route to visibility is to extend the brand over product categories. For that reason, firms such as 3M, Sony, Toshiba, and GE have an advantage because wide product scope provides brand exposure. Another route is to go beyond the normal media channels by using event promotions, publicity, sampling, Internet community, and other attention-grabbing approaches. For example, consider the impact of Samsung's Olympic sponsorship, the Niketown showcase stores, Swatch hanging a 165-yard-long watch from skyscrapers in Frankfurt and Tokyo, and the Pampers Village, the go-to site for resources and conversation about infant care. All of these firms were able to increase their awareness levels much more effectively than if they had relied only on mass media advertising.

BRAND LOYALTY

An enduring asset for some businesses is the loyalty of the installed customer base. Competitors may duplicate or surpass a product or service, but they still face the task of persuading customers to switch brands. Brand loyalty, or resistance to switching, can be based on simple habit (there is no motivation to change from the familiar gas station or supermarket), preference (people genuinely like the brand of cake mix or its symbol, perhaps based on use experience over a long time period), or switching costs. Switching costs would be a consideration for a software user, for example, when a substantial investment has already been made in training employees to learn a particular software system.

An existing base of loyal customers provides enormous sustainable competitive advantages. First, it reduces the marketing costs of doing business because less marketing is required to retain these loyal customers. Keeping existing customers happy and reducing their motivation to change are usually considerably less expensive than trying to reach new customers and persuading them to try another brand. Of course, the higher the loyalty, the easier it is to keep customers happy.

Second, the loyalty of existing customers represents a substantial entry barrier to competitors. Significant resources are required when entering a market in which loyal customers must be enticed away from an established brand. The profit potential for the entrant is thus reduced. For the barrier to be effective, however, potential competitors must know about it; they cannot be allowed to entertain the delusion that customers are vulnerable. Therefore, signals of strong customer loyalty, such as customer interest groups, can be useful.

Third, a relatively large, satisfied customer base provides an image of a brand as an accepted and successful product. A set of loyal customers also provides reassurance to others. Customers find comfort in the fact that others have selected the brand.

Finally, brand loyalty provides the time to respond to competitive moves—it gives a firm some breathing room. If a competitor develops a superior product, a loyal following will allow the firm the time needed to respond by matching or neutralizing the offering. With a high level of brand loyalty, a firm can allow itself the luxury of pursuing a less-risky follower strategy.

The management of brand loyalty is a key to achieving strategic success. Firms that manage brand loyalty well are likely to:

- Have a customer culture, whereby people throughout the organization are empowered and motivated to keep the customer happy.
- Manage customer touchpoints to ensure that the brand does not falter in key contexts.
- Have a relationship that goes beyond functional benefits to emotional, self-expressive, and social benefits.
- Make customers feel that they are part of the organization, perhaps through customer clubs.
- Have continuing communication with customers, using direct mail, the Internet, toll-free numbers, and a solid customer backup organization.
- Measure the loyalty of existing customers. Measurement should include not only sensitive indicators of satisfaction, but also measures of the relationship between the customer and the brand. Is the brand respected? Liked? Trusted? The ultimate measure is, will the customer recommend the brand to others?
- Conduct exit interviews with those who leave the brand to locate points of vulnerability.
- Measure the lifetime value of a customer so expected future purchases are valued.

BRAND ASSOCIATIONS

A brand association is anything that is directly or indirectly linked in the consumer's memory to a brand (see Figure 9.2). The associations attached to a firm and its brands can be key enduring business assets, because they reflect the strategic position of the brand. Thus, McDonald's could be linked to Ronald McDonald, kids, the Golden Arches, Ronald McDonald House, having fun, fast service, family outings, or Big Macs. All these associations potentially serve to make McDonald's interesting, memorable, and appealing to its customers.

Brands	Key Associations
Volvo, Crest	Attributes/Benefits
Apple, Calvin Klein	Design
HubSpot, IBM	Systems Solution
Warby Parker, Tom's Shoes	Social Programs
Nordstrom's, Ritz Carlton	Customer Relationships
Ferrari, Gold Violin	Niche Specialists
Lexus, Mayo Clinic	Quality
Walmart, IKEA	Price Value
Singapore Airlines, Zappos	Service
Intel, Toyota's Prius	Product Category
Amazon, Google, Marriott	Breadth of Product Line
3M, Accenture	Organizational Intangibles
Visa, Coca-Cola	Being Global
Google, Telsa	Being Contemporary
Virgin Atlantic Airlines	Brand Personality

Figure 9.2 **Brand Associations**

Product attributes and customer benefits are the associations that have obvious relevance because they provide a reason to buy and thus a basis for brand loyalty. Companies love to make claims for good reason. Heinz is the slowest-pouring (thickest) ketchup, Amazon has the fastest deliveries, Intel has a faster chip, LinkedIn has the largest professional network, Volvo is durable and safe, and Walmart delivers value. Companies love to make product claims, for good reason. They often engage in shouting matches to convince customers that their offering is superior in some key dimension—Brand One is a high-fiber cereal, or a Boeing plane has more range.

There are several problems with a reliance on attribute and benefit associations. First, a position based on some attribute is vulnerable to an innovation that gives your competitor more speed, more fiber, or a greater range. In the words of Regis McKenna, the Silicon Valley marketing guru, "You can always get outspeced."

Second, when firms start a specification shouting match, they all eventually lose credibility. After a while, customers start to doubt whether any aspirin is more effective or faster acting than another. With many conflicting claims, all of them are discounted.

Third, people do not always make decisions based upon a particular specification. They may feel that small differences in some attributes are not important, or they simply lack the motivation or ability to process information at such a detailed level.

Strong brands go beyond product attributes to develop associations on other dimensions that can be more credible and harder to copy. It is useful to understand some of these other dimensions and learn how they have been used by firms to create customer relationships and points of differentiation. The value propositions described in Chapter 6 are all prominent candidates for associations. Several associations, all with a proven ability to drive successful firms, will now be described to provide a feel for the scope of potential associations.

Product Category

The choice of a product category or subcategory with which a business will associate itself can have enormous strategic and tactical implications. Schweppes positioned its tonic water in Europe as an adult soft drink, and the popularity of new-age adult drinks carried it to a dominant position. In the United States, however, Schweppes (perhaps wanting to avoid the Coke/Pepsi juggernaut) positioned its tonic water as a mixer for alcoholic drinks, which relegated it to being a minor player. Energy bars became a big business by creating a category distinct from candy bars. Wasa Crispbread, in contrast, expanded its market by positioning itself as an alternative to bread rather than positioning itself in a category with rice cakes and Ry-Krisp.

Breadth of Product Line

A broad product offering signals substance, acceptance, leadership, and often the convenience of one-stop shopping. For example, the strategic position that drove Amazon's operations and marketing was never about selling books, even at the beginning when it was simply a bookstore. (Amazon had the vision to avoid calling itself books.com.) Rather, the firm positioned itself as delivering a superior shopping/buying experience based on the "Earth's Biggest Selection"—an array of choices so wide that customers would have no reason to look anywhere else. This position allows Amazon to enter a variety of product markets, although it also puts pressure on the company to deliver in each venue.

Breadth also works well as a dimension for other firms, such as Chevrolet, Walmart, and Black & Decker. Even under a strong brand, however, expanding the product offering involves risks. The firm may venture into business areas in which it lacks skills and competencies, the brand might be eroded, and resources needed elsewhere may be absorbed.

Organizational Intangibles

As already noted, attribute and benefit associations can often be easily copied. In contrast, it is difficult to copy an organization, which will be uniquely defined by its values, culture, people, strategy, and programs. For example, at Southwest Airlines, the friendly, fun brand is not created by advertising, but rather by the company culture and people that work there. Likewise, the customer-focused brand image of Nordstrom is created by its dedicated, hard-working sales associates. As Tony Hsieh, CEO of Zappos says, "Your culture is your brand."

Being Global

CitiGroup is a global financial institution. Visa is a global credit card. Toyota is a global car company. Being global provides functional benefits in that customers can access the services of CitiGroup or Visa anywhere. It also provides the prestige and assurance that comes from knowing that the firm has the capability of competing successfully throughout the world. Knowing that Toyota is strong in the United States helped it succeed in Europe, where customers might otherwise look at it as a modest player. More information on global associations and strategy is provided in Chapter 14.

Being Contemporary

Most established businesses face the problem of remaining or becoming contemporary. A business with a long heritage is given credit for being reliable, safe, a friend, and even innovative if that is part of its tradition. However, it also can be perceived as "your father's (or even grandfather's) brand." The challenge is to have energy, vitality, and relevance in today's marketplace—to be part of the contemporary scene. The answer usually entails breaking out of the functional-benefit trap. Approaches to add energy will be explored in Chapter 11.

Lane Bryant, a retailer to plus-sized women, developed a dowdy, apologetic image that was holding it back. To break out, it developed a new, contemporary strategic position. It spread the message with new, even sexy, fashions; a Lane Bryant fashion show in New York; revitalized stores; and a new spokesperson, rapper/actress Queen Latifah, in ads, on its website, and in a voter-registration program. Ironically, Lane Bryant's sister company, Victoria's Secret, had to reposition itself previously from an edgy (Frederick's of Hollywood) brand to a more mainstream one, albeit at the edge of the mainstream market.

Brand Personality

As with human beings, a business with a strong personality tends to be more memorable and better liked than one that is bland, nothing more than the sum of its attributes. And like people, brands can have a variety of personalities that can become key associations. For example, a brand can be professional and competent (CNN and McKinsey), upscale and sophisticated (Jaguar and Tiffany's), trustworthy and genuine (Hallmark and John Deere), fun and interesting (Snapchat and Lego), exciting and daring (Red Bull and HBO), or active and tough (REI and Under Armour). Certainly, Virgin is a brand whose strategic position includes a unique personality.

Harley-Davidson has a strong personality reflecting a macho, America-loving, freedom-seeking person who is willing to break out of confining social norms. The experience of riding a Harley (or even the association that comes from wearing Harley-Davidson clothing) helps some people express a part of their personality, which results in intense loyalty. More than 250,000 of these people belong to one of the 800 chapters of the Harley Owners Group (HOG). Twice a year, believers from all over the country gather for a bonding experience. Harley is much more than a motorcycle; it is an experience, an attitude, a lifestyle, and a vehicle to express "who I am."

Joie de Vivre is a San Francisco firm whose boutique hotels are each inspired by a theme that reflects a personality. The "Rolling Stone" Phoenix hotel attracts rock-and-roll and other entertainment personalities with its irreverent sense of cool and funky, adventurous decor. The "New Yorker" Rex hotel is clever and sophisticated, with a literary sensibility. The "1920s luxury liner" Commodore Hotel, with its Titanic Café, looks and feels like a party straight out of *The Great Gatsby*. The "movie palace" Hotel Bijou has a miniature movie theater in the lobby, accompanied by dramatic Hollywood portraits.

Maintaining Relevance

Strong brands stay relevant to their customers by shifting associations slowly over time. In the Brand Asset Valuator, the product of Young & Rubicam's mammoth study of global brands, relevance is one of four key dimensions identified (along with differentiation, esteem, and knowledge). Analysis of this database reveals that relevance is necessary for brand success. If a business loses relevance, differentiation may not matter.

The ability of a firm to maintain relevance varies along a spectrum, as shown in Figure 9.3. At one extreme are trend neglectors—firms that miss or misinterpret trends, perhaps because they are too focused on a predetermined business model. Such firms are often characterized as having organizational inflexibility, inadequate strategic analysis capability, and/or a weak brand portfolio strategy; they eventually wake up in surprise to find their products are no longer relevant. At the other end of the spectrum are trend drivers, those firms that actually propel the trends that define the category (or subcategory). In the middle are trend followers, firms that track closely the trends and the evolution of categories and subcategories, making sure that their products stay current.

Figure 9.3 How Companies Engage With Trends to Stay Relevant

Virgin Atlantic Airlines, Toyota, and Schwab all have been trend drivers. Virgin created a new subcategory by introducing and owning new services such as massage services in first class. Toyota defined the hybrid category with its Prius. Schwab's OneSource defined a new subcategory of brokerage firm services.

Trend responders—those firms that can recognize and evaluate trends and then create and implement a response—can sustain success in dynamic markets. Some fashion brands such as Tommy Hilfiger have been nimble in staying abreast of fashion trends. Barbie has changed with the times, being an astronaut, a surgeon, a presidential candidate, and a high-fashion woman; incorporating ethnicity; and becoming relevant to the Internet with an involving Barbie site. L.L. Bean has evolved its position from a hunting, fishing, and camping focus to a broader outdoors theme that is relevant to hikers, mountain bikers, cross-country skiers, and water-sports enthusiasts.

Being a successful trend responder, however, is not easy. As suggested in Chapter 4, it can be difficult to identify and evaluate trends and separate them from fads. It is also difficult to respond to emerging subcategories, especially if the subcategory starts small and if strong brands are well established. Consider the difficulty that McDonald's, Burger King, KFC, and the other fast food giants have had in responding to the healthy eating trend. They are simply not good at product development and delivery in that arena because it is not in their DNA—they lack the people and culture to be successful. Even worse, their brand becomes a liability as they attempt to change perceptions ingrained by decades of doing what they do. Nevertheless, McDonald's, after several unsuccessful efforts to create salads, broke through with not only a line of salads that worked well in the chain (e.g., Southwest Buttermilk Crispy Chicken Salad), but also healthy desserts for concerned parents and even gourmet coffee to provide an alternative to Starbucks.

VIRGIN ATLANTIC AIRLINES

In 1970, Richard Branson and a few friends founded Virgin as a small mail-order record company in London, England. By the mid-1980s, this modest beginning had led to a chain of record shops and the largest independent music label in the United Kingdom, with artists as diverse and important as Phil Collins, the Sex Pistols, Boy George, and the Rolling Stones. By the 1990s, there were more than a hundred Virgin "megastores," many making a significant brand statement with their signage, size, and interior design.

In February 1984, Branson decided to start Virgin Atlantic Airlines to make flying fun and enjoyable for all classes, not just first-class passengers. Defying the odds, Virgin became the number two airline in most of its markets by the end of the 1990s. Not only that, it enjoyed the same consumer awareness and reputation as much larger international carriers, including service-oriented airlines such as Singapore Airlines. Virgin Atlantic's success is due in part to its image of service quality, value, being the underdog, and having an edgy personality.

Extraordinary Service Quality

Virgin has delivered a high quality of service and, more important to perceptions, has often dazzled customers with original, "wow" experiences. Virgin pioneered sleeper seats in 1986 (British Airways followed nine years later with the cradle seat), limo services at each end of the flight (or motorcycle service for those flying light), in-flight massages, child safety seats, individual TVs for business class passengers, drive-through check-in at the airport, and new classes of service. First-class passengers are offered a new tailor-made suit to be ready at their destination, masseurs or beauty therapists, and a facility to shower or nap.

Value

Virgin Atlantic's Upper Class is priced at the business-class level with a service level comparable to many other airlines' first-class service. Mid Class is offered at full-fare economy prices, and most Virgin Economy tickets are available at a discount. While this lower price point offers a clear consumer advantage, Virgin does not emphasize the price position in its promotion. Cheapness per se is not the message at Virgin.

The Underdog

Virgin's business model is straightforward. The company typically enters markets and industries with large, established players (such as British Airways) that can be portrayed as being somewhat complacent, bureaucratic, and unresponsive to customer needs. In contrast, Virgin presents itself as the underdog who cares, innovates, and delivers an attractive, viable alternative. When British Airways attempted to prevent Virgin from gaining routes, Virgin painted British Airways as a bully standing in the way of an earnest youngster who offered better value and service.

The Virgin Personality

The Virgin brand has a bold, edgy personality, largely reflecting its flamboyant service innovations and the actions of Richard Branson. Virgin as a person would be perceived as someone who:

- Flaunts the rules
- Has a sense of humor that can be outrageous at times
- Is an underdog, willing to attack the establishment
- Is competent, always does a good job, and has high standards

Interestingly, this personality spans some extremes, from competent to a feisty, fun-loving, rule-breaker—an accomplishment envied by other businesses. The key is the fact that Virgin has delivered on each facet of this personality.

Virgin is a remarkable example of how the right set of brand associations can allow a business to stretch far beyond what would be considered its acceptable scope of operations. Rather than restrict itself to records and entertainment, Virgin has used its associations to extend from record stores to itself to records and entertainment, Virgin has used its associations to extend from record stores to

airlines, colas (Virgin Cola), vodka (Virgin Vodka), rail service (Virgin Rail), jeans (Virgin Jeans), and dozens of other categories. In each business, the Virgin associations work to provide differentiation and advantage.

In fact, the decision to extend Virgin, a business then associated with rock music and youth, to an airline could have become a legendary blunder if it had failed. However, because the airline was successful and was able to deliver value with quality, flair, and innovation, the master Virgin brand developed associations that were not restricted to a single type of product. The elements of the Virgin strategic position—extraordinary service quality, value for money, the underdog position, and a quirky personality—work over a large set of products and services. It has become a lifestyle brand with an attitude whose powerful relationship with customers is not solely based on functional benefits within a particular product category.

Virgin's success has been driven in part by pure visibility, largely based on publicity personally generated by Richard Branson. For the launching of Virgin Bride, a company that arranges weddings, he showed up in a wedding dress. At the 1996 opening of Virgin's first U.S. megastore in New York's Times Square, Branson (a balloonist holding several world records) was lowered on a huge silver ball from 100 feet above the store. These and other stunts have turned into windfalls of free publicity for Virgin, helping the brand in all contexts.

Branson has fully mastered his role. By employing British humor and the popular love of flouting the system, he has endeared himself to consumers. By never deviating from the core brand values, he has gained their loyalty and confidence. When BBC Radio asked 1,200 people who they thought would be most qualified to rewrite the Ten Commandments, Branson came in fourth, after Mother Teresa, the pope, and the archbishop of Canterbury. When a British daily newspaper took a poll on who would be most qualified to become the next mayor of London, Branson won in a landslide.

BRAND IDENTITY

Creating and managing a brand requires a brand strategy, the heart of which is the brand identity, which provides direction, purpose, and meaning for the brand. A brand identity is a set of brand associations that the firm aspires to create or maintain, an aspirational external brand image. These associations represent what the brand aspires to stand for and imply a promise to customers from the organization. It differs from brand image in that it could include elements that are not present in the current image (you now make trucks as well as cars) or even conflict with it (you aspire to have a quality reputation that is superior to the current perceptions).

The brand identity can best be explained in terms of three steps. These steps assume that a comprehensive strategic analysis has been done. Customer, competitor, and internal analyses are particularly critical to the development of a brand identity.

1. What the Brand Stands For

The first step is to create a set of from 6 to 12 distinct associations that are desired for the brand. The process starts by putting down all the associations that are desired given what is known about the customers, competitors, and the business strategy going forward. A list of more than two dozen is shown in Figure 9.4 for a business-to-business service company here termed Align. In actuality, the list is more often from 50 to 100. During this process there is no effort to zero in on categories of associations, although there is an effort to make sure that organizational intangibles and personality dimensions are at least considered.

Value creation	In-depth understanding of customers
Flexible	Close to customers
Resourceful	Team oriented
Dynamic	Partner with customers
Broad capability	Collaborator
Committed to excellence	Open communication
Best-of-breed	Multicultural
World class	Risk-sharing partner
Gets job done	Diversified workforce
Experienced	Technology that works
Confident	Global
Competent	Bold (without arrogance)
Straightforward	World health

Figure 9.4 Partial List of Aspirational Associations for Align

These items are then grouped, and each group is given a label. Align was created with a set of a half-dozen acquisitions, each of which continued to operate somewhat autonomously. It was becoming clear, though, that customers preferred a single-solution firm with broad capabilities. The new Align strategy was to orient its service to broad customer solutions and to get its