Chapter 2
Customer-Based Brand Equity and Brand Positioning

Learning Objectives

1. Define customer-based brand equity.
2. Outline the sources and outcomes of customer-based brand equity.
3. Identify the four components of brand positioning.
4. Describe the guidelines in developing a good brand positioning.
5. Explain brand mantra and how it should be developed.

Overview

This chapter defines the concept that is the focus of the book. Customer-based brand equity (CBBE) is the differential effect that brand knowledge has on consumer response to the marketing of that brand. Brand knowledge is a function of awareness, which relates to consumers' ability to recognize or recall the brand, and image, which consists of consumers' perceptions of, and associations for the brand. Building awareness requires repeatedly exposing consumers to the brand as well as linking the brand in consumer memory to its product category and to purchase, usage and consumption situations. Creating a positive brand image requires establishing strong, favorable, and unique associations for the brand.

The chapter outlines the important contribution of brand knowledge to brand equity. Brand knowledge is composed of brand awareness, which is itself a function of recognition and recall, and brand image, which reflects the associations consumers hold for the brand in memory.

Brand awareness is important because: 1) it is a necessary condition for inclusion in the set of brands being considered for purchase, 2) in low-involvement decision settings, it can be a sufficient condition for choice, and 3) it influences the nature and strength of associations that comprise the brand image. Awareness can be heightened by increasing consumer exposure to the brand and by linking the brand to product category, consumption and usage situations.

A brand's image reflects all the associations consumers have for a brand in memory. The strength, favorability, and uniqueness of the associations affect the responses consumers will have to the brand and to its supporting marketing activities. Associations can be about attributes and benefits of the brand, or attitudes toward it. Attributes, which are descriptive features of a brand, can relate to the actual physical components and ingredients of a brand (product-related), or to such things as the price, imagery, feelings, experiences, and personality associated with the brand (non-product-related).

Benefits derived from a brand may relate to the functional advantages it provides, the symbolic information it conveys, or the experiential feelings it produces. Attitudes, which represent the highest level of brand associations, reflect consumers' overall evaluations of a brand and, consequently, often determine their behavior toward it.

The strength of associations depends upon the relevance of information consumers encounter about the brand and the consistency with which the information is presented over time. Favorability is a function of the desirability or value of the associations in attitude formation and decision-making, and of their deliverability or performance probability.

The chapter then moves onto discuss brand position and asserts that, deciding on a positioning requires determining a frame of reference, the ideal points-of-parity and points-of-difference brand associations, and an overall brand mantra as a summary. Marketers need to understand consumer behavior and the consideration sets that consumers adopt in making brand choices. Points-of-difference are those associations that are unique to the brand, strongly held, and favorably evaluated by consumers. Points-of-parity are those associations that are not necessarily unique to the brand but may in fact be shared with other brands.

Finally, the chapter concludes by discussing brand mantra, which is an articulation of the "heart and soul" of the brand, a three- to five-word phrase that captures the irrefutable essence or spirit of the brand positioning and brand values.

Brand Focus 2.0 details the marketing advantages of creating a strong brand. These include greater loyalty and less vulnerability to competitive marketing actions and crises; larger margins; greater trade cooperation and support; increased marketing communication effectiveness; possible licensing opportunities; and a number of other advantages.

Science of Branding

THE SCIENCE OF BRANDING 2-1
BRAND CRITICS

In her book *No Logo,* Naomi Klein details the aspects of global corporate growth that have led to consumer backlash against brands. Klein cites marketing campaigns that exist within schools and universities, among other examples of advertising encroaching on traditionally ad-free space. She cautions that an inherent danger of building a strong brand is that the public will be all the more eager to see the brand tarnished once unseemly facts surface.

Klein highlights movements that have arisen to protest the growing power of corporations as "culture jamming" and "ad-busting." Klein also observes that the issues of corporate conduct are now highly politicized. Besides Klein, Jonathan Baskin, in his book *Branding Only Works on Cattle,* argues that branding is no longer effective because it relies on the status quo and is not keeping up with consumers' needs. He faults current brand techniques.

In 2007, British writer Neil Boorman started a blog and then published a book called *Bonfire of the Brands* that detailed the breaking of his brand obsession. Boorman refers to himself as a member of "a generation that has been sold to from the day it was born" and calls brands "nothing but an expensive con."

THE SCIENCE OF BRANDING 2-2
BRANDING INSIDE THE ORGANIZATION

Brand mantras point out the importance of internal branding—making sure that members of the organization are properly aligned with the brand and what it represents. For service companies especially, it's critical that all employees have an up-to-date and deep understanding of the brand.

Companies need to engage in continual open dialogue with their employees. Branding should be perceived as participatory. Some firms have pushed B2E (business-to-employee) programs through corporate intranets and other means. In short, for both motivating employees and attracting external customers, internal branding is a critical management priority.

Branding Briefs

BRANDING BRIEF 2-1
POSITIONING POLITICIANS

The importance of marketing has not been lost on politicians and one way to interpret campaign strategies is from a branding perspective. The last three decades of presidential campaigns are revealing about the importance of properly positioning a politician.

George H. W. Bush ran a textbook presidential campaign in 1988. The objective was to move the candidate to the center of the political spectrum and make him a "safe" choice, and to move his Democratic opponent, Massachusetts governor Michael Dukakis, to the left and make him seem more liberal and a "risky" choice.

In 1992, the new Democratic candidate, Bill Clinton, was a fierce campaigner who ran a focused effort to create a key point-of-difference on one main issue—the economy. Rather than attempting to achieve a point-of-parity on this issue, Bush, who was running for reelection, campaigned on other issues such as family values.

The 2008 presidential election was another textbook application of branding as Barack Obama ran a very sophisticated and modern marketing campaign. Republican candidate John McCain attempted to create a point-of-difference on experience and traditional Republican values; Obama sought to create a point-of-difference on new ideas and hope. The Obama campaign team effectively hammered home his message. Multimedia tactics combined offline and online media as well as free and paid media. Even Obama's slogans and campaign posters became iconic symbols, and Obama breezed to victory.

BRANDING BRIEF 2-2
NIKE BRAND MANTRA

Nike has a rich set of associations with consumers, revolving around such considerations as its innovative product designs, its sponsorships of top athletes, its award-winning advertising, its competitive drive, and its irreverent attitude. In Nike's eyes, its entire marketing program—its products and how they are sold—must reflect the key brand values conveyed by the brand mantra.

In the words of ex-Nike marketing gurus Scott Bedbury and Jerome Conlon, Nike's brand mantra provided the "intellectual guard rails" to keep the brand moving in the right direction and to make sure it did not get off track somehow. Nike's brand mantra has even affected product development. Each step of the way it has been guided by its "authentic athletic performance" brand mantra. At the same time, the company has been careful to avoid using the Nike name to brand products that did not fit with the brand mantra, like casual "brown" shoes.

When Nike has experienced problems with its marketing program, they have often been a result of its failure to figure out how to translate its brand mantra to the marketing challenge at hand.

BRANDING BRIEF 2-3
DISNEY BRAND MANTRA

Disney developed its brand mantra in response to its incredible growth through licensing and product development during the mid-1980s. In the late 1980s, Disney became concerned that some of its characters, like Mickey Mouse and Donald Duck, were being used inappropriately and becoming overexposed. To investigate the severity of the problem, Disney undertook an extensive brand audit. Disney also launched a major consumer research study—a brand exploratory—to investigate how consumers felt about the Disney brand.

The results of the brand inventory revealed some potentially serious problems: the Disney characters were on so many products and marketed in so many ways that in some cases it was difficult to discern the rationale behind the deal, to start with. The consumer study only heightened Disney's concerns. Because of the broad exposure of the characters in the marketplace, many consumers had begun to feel that Disney was exploiting its name. In some cases, consumers felt that the characters added little value to products and, worse yet, involved children in purchase decisions that they would typically ignore.

Disney learned in the consumer study, however, that consumers did not differentiate between all the product endorsements. "Disney was Disney" to consumers, whether they saw the characters in films, records, theme parks, or consumer products. Consequently, all products and services that used the Disney name or characters had an impact on Disney's brand equity. Consumers reported that they resented some of these endorsements because they felt that they had a special, personal relationship with the characters and with Disney that should not be handled so carelessly.

As a result of the brand audit, Disney moved quickly to establish a brand equity team to better manage the brand franchise and more carefully evaluate licensing and other third-party promotional opportunities. One of the mandates of this team was to ensure that a consistent image for Disney—reinforcing its key brand associations—was conveyed by all third-party products and services. To facilitate this supervision, Disney adopted an internal brand mantra of "fun family entertainment" to serve as a screening device for proposed ventures. Opportunities that were not consistent with the brand mantra were rejected.

Brand Focus

BRAND FOCUS 2.0
THE MARKETING ADVANTAGES OF STRONG BRANDS

Customer-based brand equity occurs when consumer response to marketing activity differs, when consumers know the brand, and when they do not. A number of benefits can result from a strong brand, both in terms of greater revenue and lower costs. Some of the benefits to the firm of having brands with a high level of awareness and a positive brand image:

- Greater Loyalty and Less Vulnerability to Competitive Marketing Actions and Crises—Research shows that different types of favorable brand associations can affect consumer product evaluations, perceptions of quality, and purchase rates. Moreover, familiarity with a brand has been shown to increase consumer confidence, attitude toward the brand, and purchase intention, and to mitigate the negative impact of a poor trial experience. One characteristic of brands with a great deal of equity is that consumers feel great loyalty to them. A brand with a positive brand image also is more likely to successfully weather a brand crisis or downturn in the brand's fortunes. Effective handling of a marketing crisis requires swift and sincere action, an immediate admission that something has gone wrong, and assurance that an effective remedy will be put in place. Even absent a crisis, a strong brand offers protection in a marketing downturn or when the brand's fortunes fall.
- Larger Margins—Brands with positive customer-based brand equity can command a price premium. Consumers should also have a fairly inelastic response to price increases and elastic responses to price decreases or discounts for the brand over time. Research has shown that consumers loyal to a brand are less likely to switch in the face of price increases and more likely to increase the quantity of the brand purchased in the face of price decreases.
- Greater Trade Cooperation and Support—Wholesalers, retailers, and other middlemen in the distribution channel play an important role in the selling of many products. Their activities can thus facilitate or inhibit the success of the brand. If a brand has a positive image, retailers and other middlemen are more likely to respond to the wishes of consumers and actively promote and sell the brand. Channel members are also less likely to require any marketing push from the manufacturer and will be more receptive to manufacturers' suggestions to stock, reorder, and display the brand, as well as to pass through trade promotions, demand smaller slotting allowances, give more favorable shelf space or position, and so on. Given that many consumer decisions are made in the store, the possibility of additional marketing push by retailers is important.
- Increased Marketing Communication Effectiveness—A host of advertising and communication benefits may result from creating awareness of and a positive image for a brand. One well-established view of consumer response to marketing communications is the hierarchy of effects models. A brand with a great deal of equity already has created some knowledge structures in consumers' minds, increasing the likelihood that consumers will pass through various stages of the hierarchy. Familiar, well-liked brands are less susceptible to "interference" and confusion from competitive ads, are more responsive to creative strategies such as humor appeals, and are less vulnerable to negative reactions due to concentrated

repetition schedules. Because strong brand associations exist, lower levels of repetition may be necessary. Similarly, because of existing brand knowledge structures, consumers may be more likely to notice sales promotions, direct mail offerings, or other sales-oriented marketing communications and respond favorably.

- Possible Licensing and Brand Extension Opportunities—A strong brand often has associations that may be desirable in other product categories. To capitalize on this value, a firm may choose to license its name, logo, or other trademark item to another company for use on its products and merchandise. Academic research has shown that well-known and well-regarded brands can extend more successfully and into more diverse categories than other brands. In addition, the amount of brand equity has been shown to be correlated with the highest or lowest-quality member in the product line for vertical product extensions. Research has also shown that positive symbolic associations may be the basis of these evaluations, even if overall brand attitude itself is not necessarily high. Brands with varied product category associations through past extensions have been shown to be especially extendable.
- Other Benefits—Brands with positive customer-based brand equity may provide other advantages to the firm not directly related to the products themselves, such as helping the firm to attract or motivate better employees, generate greater interest from investors, and garner more support from shareholders.

Discussion questions

1. *Apply the categorization model to a product category other than beverages. How do consumers make decisions whether or not to buy the product, and how do they arrive at their final brand decision? What are the implications for brand equity management for the brands in the category? How does it affect positioning, for example?*

   Answers will vary. Have students pick brands of their choice and have them assess if they perceive the brand as only representative of the product or service category. This will help them realize whether they respond to the brand as if the offering were unbranded. The students may then be asked to assess the implications their perceptions have on the positioning of the brands.

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   Learning Objective: Define customer-based brand equity.
   AACSB: Reflective Thinking

2. *Pick a category basically dominated by two main brands. Evaluate the positioning of each brand. Who are their target markets? What are their main points-of-parity and points-of-difference? Have they defined their positioning correctly? How might it be improved?*

   Answers will vary. Students may be divided into groups to compare the positioning of brands against each other.

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   Learning Objective: Identify the four components of brand positioning.

AACSB: Analytic Skills

3. *Consider a book store in your area. What competitive frames of reference does it face? What are the implications of those frames of reference for its positioning?*

   Answers will vary. Students may first be asked to identify the target market for the book store and the nature of competition faced by the store in their area. They may then proceed with assessing how the frame of reference affects the store's positioning.

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   Learning Objective: Identify the four components of brand positioning.
   AACSB: Analytic Skills

4. *Can you think of any negatively correlated attributes and benefits other than those listed in Figure 2-6? Can you think of any other strategies to deal with negatively correlated attributes and benefits?*

   Answers will vary. Students may be divided into groups to come up with examples of correlated attributes and benefits. Following this, a class activity may be conducted to discuss the strategies to deal with these negative correlations.

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   Learning Objective: Describe the guidelines in developing a good brand positioning.
   AACSB: Analytic Skills

5. *What do you think of Naomi Klein's positions as espoused in No Logos? How would you respond to her propositions? Do you agree or disagree about her beliefs on the growth of corporate power?*

   Students could be divided into two groups to debate Klein's positions. Students are encouraged to set their points of view and recommend directions for strong brands to sustain their positions and avoid being negatively "politicized".

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   Learning Objective: Outline the sources and outcomes of customer-based brand equity.
   AACSB: Reflective Thinking

<u>Exercises and assignments</u>

1. Have students conduct a Coke-Pepsi taste test, either in or out of the class, and discuss the results and the reasons behind consumer preferences. It might be useful to have half the class do a blind taste test, and half the class do a "sighted" taste test, and compare the results.

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   Learning Objective: Define customer-based brand equity.
   AACSB: Analytic Skills
   Question type: Group
   Time to complete the exercise: 10-12 minutes

This activity may be carried out before the class is introduced to the concept of customer-based brand equity.

2. Ask students to pick two brands in each of three or four different product categories, and then compare the sources of brand equity for each pair. This exercise is a good way to demonstrate the stronger positioning strategies and franchises that some brands enjoy relative to their competition. Focal brands might include:

   Charles Schwab vs. E*Trade
   Frederick's of Hollywood vs. Victoria's Secret
   Maytag vs. Kenmore washing machines
   FedEx vs. USPS Express Mail

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   Learning Objective: Outline the sources and outcomes of customer-based brand equity.
   AACSB: Analytic Skills
   Question type: Individual/Group
   Time to complete the exercise: 12-15 minutes
   This activity may be carried out at the end of the class.

3. Bring in or have students bring in examples of consumer sales promotions. Analyze each in terms of its ability to build or bash brand equity. Suggest alternative promotion ideas. Pick the best and worst of the lot and explain what makes them good or bad.

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   Learning Objective: Outline the sources and outcomes of customer-based brand equity.
   AACSB: Analytic Skills
   Question type: Individual/Group
   Time to complete the exercise: 10 minutes
   This activity may be carried out at the beginning of the class.

4. Have students develop a brand of their own for a given product category such as beverages, automobiles, and art supplies. The students may then be asked to arrive at the optimal competitive brand positioning. This will help the students to define and communicate the competitive frame of reference and choose and establish POPs and PODs.

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   Learning Objective: Describe the guidelines in developing a good brand positioning.
   AACSB: Analytic Skills
   Question type: Individual/Group
   Time to complete the exercise: 15 minutes
   This activity may be carried out after the class has been introduced to the guidelines of brand positioning.

Key take-away points

1. The power of the brand and its ultimate value to the firm resides with customers.

2. Customer-based brand equity is the differential effect of brand knowledge on consumer response to the marketing of a brand.
3. Positive brand equity results when consumers are familiar with the brand and have strong, favorable, and unique associations for it.
4. A brand has negative customer-based brand equity if consumers react less favorably to marketing activity for the brand compared with an unnamed or fictitiously named version of the product.
5. The quality of the investment in brand building is the most critical factor, not the quantity beyond some minimal threshold amount.
6. Brand awareness is the consumers' ability to identify the brand under different conditions and brand image is consumers' perceptions about a brand.
7. Brand recognition is consumers' ability to confirm prior exposure to the brand when given the brand as a cue and brand recall is consumers' ability to retrieve the brand from memory when given the product category, the needs fulfilled by the category, or a purchase or usage situation as a cue.
8. Brand attributes are those descriptive features that characterize a product or service, and brand benefits are the personal value and meaning that consumers attach to the product or service attributes.
9. Brand positioning is the act of designing the company's offer and image, so that it occupies a distinct and valued place in the target customer's minds.
10. The key to branding success is to establish both points-of-parity and points-of-difference.
11. PODs are attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand.
12. POPs are not necessarily unique to the brand but may in fact be shared with other brands.
13. A brand mantra is a short, three- to five-word phrase that captures the irrefutable essence or spirit of the brand positioning.