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.

Anecdotes abound about the power of a brand to improve financial performance, but solid research also shows that, on average, building brands generates a payoff in terms of stock return. In fact, the brand effect on stock return is nearly as large as that of accounting ROI in such diverse settings as large-cap, Internet, and high-tech firms. Further, efforts to estimate the value of brand assets as compared to other intangible assets—such as people and IT technology—and tangible assets reveal that the brand assets represent from about 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

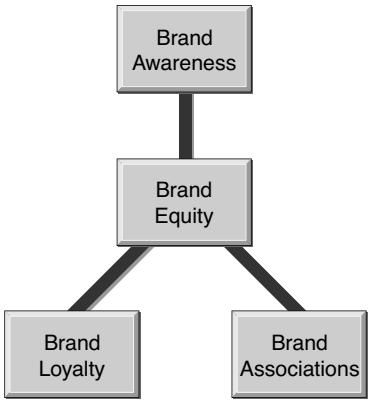

Figure 9.1 Brand Equity

be elevated to part of the business strategy, the purview of the CEO. Its management was strategic and visionary instead of tactical and reactive, long term in orientation rather than short term, and involved a different set of metrics. It truly changed the role of marketing and the chief marketing officer (CMO).

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.

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—the third most mentioned SCA (see Figure 7.3)—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, awareness provides the brand with a sense of familiarity, and people like the familiar. 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, name 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, Morton salt, Lionel trains, Philadelphia cream cheese, V-8 vegetable juice, Netflix, TiVo, and A-1 steak sauce. In each case, how many other brands can you name? How would you like to compete against the dominant brand?

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, and thus it is 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, 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 Nestlé's Buitoni Club program. 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 (listed as item 10 in the list of SCAs in Figure 7.3). Competitors may duplicate or surpass a product or service, but they still face the task of making customers 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, since existing customers usually are relatively easy to hold—the familiar is comfortable and reassuring. Keeping existing customers happy and reducing their motivation to change is 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 existing customers must be enticed away from an established brand that they are loyal to or even merely satisfied with. 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, successful, enduring product that will include service backup and product improvements. 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:

- 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.
- Have a customer culture, whereby people throughout the organization are empowered and motivated to keep the customer happy.
- Measure the lifetime value of a customer so expected future purchases are valued.
- Reward loyal customers with frequent-buyer programs or special unexpected benefits or premiums.
- 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.

- Manage customer touchpoints to ensure that the brand does not falter in key contexts.
- Protect the relationship with the loyal customer base during tough economic times when there are pressures on marketing budgets.

BRAND ASSOCIATIONS

The associations attached to a firm and its brands can be key enduring business assets, as they reflect the strategic position of the brand. A brand association is anything that is directly or indirectly linked in the consumer's memory to a brand (see Figure 9.2). Thus, McDonald's could be linked to Ronald McDonald, kids, the Golden Arches, Ronald McDonald House, Newman's Own Salad Dressing, 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.

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. Heinz is the slowest-pouring (thickest) ketchup, Bayer is faster acting, Texas Instruments has a faster chip, Jaguar is stylish, Volvo is durable and safe, and Wal-Mart delivers value. Companies love to make product claims, for good reason. They often engage in shouting matches, or specmanship, 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

Associations	Brands
Attributes/Benefits	Volvo, Crest
Design	Jaguar, Calvin Klein
Systems Solution	Siebel, IBM
Social Programs	Avon, McDonald's
Customer Relationships	Nordstrom's, Ritz Carlton
Niche Specialists	Ferrari, Gold Violin
Quality	Lexus, Hertz
Value	Wal-Mart, Hyundai
Product Category	TiVo, Toyota's Prius
Breadth of Product Line	Amazon, Marriott
Organizational Intangibles	3M, Accenture
Emotional and Self-Expressive Benefits	BMW, Jaguar, Tiffany's
The Experience	Nike, Heineken
Being Global	Visa, Ford
Being Contemporary	MySpace, Apple
Brand Personality	MetLife, Singapore Airlines

Figure 9.2 Brand Associations

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. There have been so many conflicting claims that 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 the last chapter in addition to attributes or benefits—design, systems solutions, social programs, customer relationships, niche specialist, quality, and value—are all prominent candidates for actual or aspirational associations. Several additional ones, all with a proven ability to drive successful firms, will 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 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 entry as a mixer for alcoholic drinks, which relegated it to being a minor player when the market changed. Energy bars became a big business by creating a category distinct from candy. Wasa Crispbread, in contrast, expanded its market by positioning itself as an alternative to bread rather than sharing a category with rice cakes and Ry-Krisp. Siebel created the customer relationship management (CRM) category and benefited from an association with it.

Maintaining Relevance

As suggested in Chapter 4, the relevance concept can help with the difficult task of managing an evolving category with emerging and receding subcategories. Relevance is, in essence, being perceived as associated with the product category in which the customer is interested. In the Brand Asset Valuator, the product of Young & Rubicam's mammoth study of global brands, relevance was one of four key dimensions identified (along with differentiation, esteem, and knowledge). 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 inadequate strategic analysis capability,

Figure 9.3 Staying Relevant

organizational inflexibility, 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.

Virgin Atlantic Airlines, IBM, 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. IBM defined a new category with its e-business label, supported by enormous brand-building resources. Schwab's OneSource defined a new subcategory of brokerage firm services.

Trend responders—those firms that can recognize and evaluate trends, 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, from being an astronaut in 1965, a surgeon in 1973, and a presidential candidate in 1992, to appearing in the video *Barbie in the Nutcracker* in 2001 and launching Barbie couture in 2004. L.L. Bean has evolved its position from hunting, fishing, and camping to a broader outdoors theme that is relevant to hikers, mountain bikers, cross-country skiers, and water-sports enthusiasts, the heart of its marketplace. Fuji Film was quick to adapt to the digital age and became a leader with its Super CCD high-quality image sensor for digital cameras, plus several other products such as digital photo printers.

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 the trends from the fads. It is also difficult to respond to emerging subcategories, especially if they start small and if the existing business and brand are 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 salads that worked but healthy desserts for concerned parents and even gourmet coffee to provide an alternative to Starbucks.

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, Wal-Mart, 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. Organizational attributes such as being global (Visa), innovative (3M), quality driven (Cadillac), customer driven (Nordstrom), involved in community or social issues (Avon), or concerned about the environment (Toyota) are usually more resistant to competitive claims than product-attribute associations.

A laboratory study of cameras demonstrated the power of an intangible attribute. Customers were shown two camera brands, one of which was positioned as being more technically sophisticated, and the other as easier to use. Detailed specifications of each brand, which were also provided, clearly showed that the easier-to-use brand in fact had superior technology as well. When subjects were shown both brands together, the easy-to-use brand was rated superior on technology by 94 percent of the subjects. However, when this brand was shown two days after exposure to the supposedly (but not actually) more sophisticated brand, only 36 percent felt that it had the best technology. Using technology as an abstract attribute dominated the actual specifications.

Emotional and Self-Expressive Benefits

Another way to move beyond attribute/functional claims is to create a position based on emotional or self-expressive benefits.

Emotional benefits relate to the ability of the offering to make the customer feel something during the purchase or use experience. The strongest brands often offer emotional benefits. Thus, a buyer or user can feel

- safe in a Volvo
- exhilarated in a BMW
- energized while watching MTV
- important when at Nordstrom's

- healthy when drinking Evian
- warm when buying or reading a Hallmark card
- strong and rugged when driving a Ford Explorer

Emotional benefits are all about the "I feel . . ." statement: I feel energized, I feel warm, I feel elegant. To see if an emotional benefit can play a role in differentiating a brand, try the "I feel" question with customers. If the hard-core loyalists consistently come up with a particular emotional benefit associated with using the branch, then it should be considered as part of the strategic position of the brand.

Self-expressive benefits reflect the ability of the purchase and use of an offering to provide a vehicle by which a person can express him- or herself. To illustrate, a person might express a self-concept of being

- adventurous or daring by owning Rossignol powder skis
- hip by buying fashions from the Gap
- sophisticated by using Ralph Lauren
- successful, in control, and a leader by driving a Lincoln
- frugal and unpretentious by shopping at Kmart
- competent by using Microsoft Office
- nurturing by preparing Quaker Oats hot cereal for one's children in the morning

Self-expressive benefits are all about the "I am . . ." statement: I am successful, I am young, I am a great athlete. To see if a self-expressive benefit can play a role in differentiating a brand, try the "I am" question with loyal customers and see if any consistent self-expressive benefits are associated with using the brand.

Why is some contemporary art sold at astronomical prices? Why would a stuffed dead shark be worth $40 million and hang in the New York Metropolitan Museum of Art? Why would a rectangular set of color spots created by an artist's staff sell for $600,000? It is not objective quality for sure. Experts could not agree as to whether a painting resembling a Jackson Pollock drip painting found at a flea market was authentic. Depending on their verdict the painting would be worth a few thousand or $40 million. The same painting! How does an artist create a brand that can capture such a price premium? The answer is not simple but, without question, self-expressive benefits play a predominant role.

The Experience

The experience of using the brand could include emotional or self-expressive benefits without any functional advantage, but when an experience combines two or even all three, it is usually broader and more rewarding. The experience at Nordstrom's includes a host of factors (such as the merchandise, the piano, the ambience, and the service) that combine to provide a pleasant, satisfying time and make a statement about shopping and buying at the store. The experience of using Nike combines functional,

emotional, and self-expressive benefits to provide a depth of connection that competitor brands lack. Many strong brands offer all three types of benefits.

In addition to the breadth of its offering, Amazon is also positioned with respect to the experience it delivers. Its promise is to create a world-class shopping experience that is both efficient and enjoyable. The fast and easy selection, one-click ordering, special-occasion reminders, safe-shopping guarantee, and reliable delivery lie behind the experience Amazon creates. The Amazon experience also provides emotional benefits by offering the excitement of discovering a book, CD, or other gift that is just right (as enhanced by its "personalize item" recommendation). The Amazon river, representing the ultimate in discovery and adventure, provides an aspirational metaphor. One of the challenges for the Amazon brand is to make sure this emotional aspect is not submerged by the functional benefits the site provides.

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 you 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 helps it in Europe, where customers might otherwise look at it as a modest player. More information on global associations and strategy is provided in Chapter 13.

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 10.

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 Web site, 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 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, such as being professional and competent (CNN and McKinsey), upscale and sophisticated (Jaguar and Tiffany's),

trustworthy and genuine (Hallmark and John Deere), exciting and daring (Porsche and Benneton), or active and tough (Levi's and Nike). Certainly, Virgin is a brand whose strategic position includes a statement 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 to express a part of their personality, which results in intense loyalty. More than 250,000 of these people belong to one of the eight hundred 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, 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.

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 for money, 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 for Money

Virgin Atlantic's Upper Class is priced at the business-class level, but not much different from 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, Coca-Cola, Levi-Strauss, British Rail, and Smirnoff) 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 to customers. 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 strong, perhaps edgy personality, largely reflecting its flamboyant service innovations and the values and 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 not only the personality of Branson himself but also 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 airlines, colas (Virgin Cola), vodka (Virgin Vodka), a 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

(*continued*)

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 six to twelve 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 Ajax. 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.

These items are then grouped, and each group is given a label. Ajax was created with a set of a half-dozen acquisitions, each of which continued to operate somewhat

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 Ajax

autonomously. It was becoming clear, though, that customers preferred a single-solution firm with broad capabilities. The new Ajax strategy was to orient its service to broad customer solutions and to get its operating units to work together seamlessly. The strategy represented a significant change in culture and operations. With respect to the brand identity, the elements "partner with customers," "customized solutions," "collaborative," and "close to customers" were clustered and given the name Team Solutions, which became one of eight identity elements. The brand goal was to provide a face to customers that matched this new strategy.

2. The Core Identity

The second step is to prioritize the brand identity elements. The most important and potentially the most impactful are classified as *core identity* elements. The core identity will be the primary drivers of the brand-building programs. They will be the focus of the brand investments, as they are the most critical to the success for the businesses that they are supporting. The balance of the elements are termed the *extended identity.* They serve to help define the brand, make decisions as to what actions and programs are compatible with the brand, and drive minor programs that will have lesser impact and take modest resources.

In developing the core and extended identity, four criteria should guide the process. Identity elements are sought that:

- **Resonate with the target market.** Ultimately the market dictates success, and thus the identity should resonate with customers. It is useful to think in terms of how customers relate to the brand over time rather than simply what drives purchase decisions. Also, consider emotional and self-expressive benefits in addition to functional ones.
- **Differentiate from competitors.** Differentiation is often the key to winning. There should be some points of differentiation throughout the brand

identity so that there is always an answer to the question as to how our brand is different.

- **Provide parity where competitors have an advantage that is compelling to customers.** It is not always necessary to be different or better on all dimensions. There may be some dimensions where the goal is simply to be close enough so that this dimension is no longer a reason to not buy the brand. Hyundai need not, for example, be equal to Toyota in quality; it just needs to be close enough so that its quality image does not prevent purchase.
- **Reflect the strategy and culture of the business.** Ultimately, the brand needs to enable and support the strategy of the business. Particularly when the strategy represents a change from the status quo, and requires a change in brand image, the brand identity needs to reflect the new strategy. The brand identity should also support and reflect the culture and values of the firm, because it is the organization that has to deliver on the aspirational brand promise.

3. The Brand Essence

The core identity compactly summarizes the brand vision. However, it is often useful to provide even more focus by creating a *brand essence,* a single thought that captures the heart of the brand. The purpose of an essence is to communicate the brand internally. Thus, while there are times when an external tagline, designed to communicate the message of the day externally, can and does represent the essence, that is often not the case. Figure 9.5 shows the final brand identity for Ajax, including the brand essence.

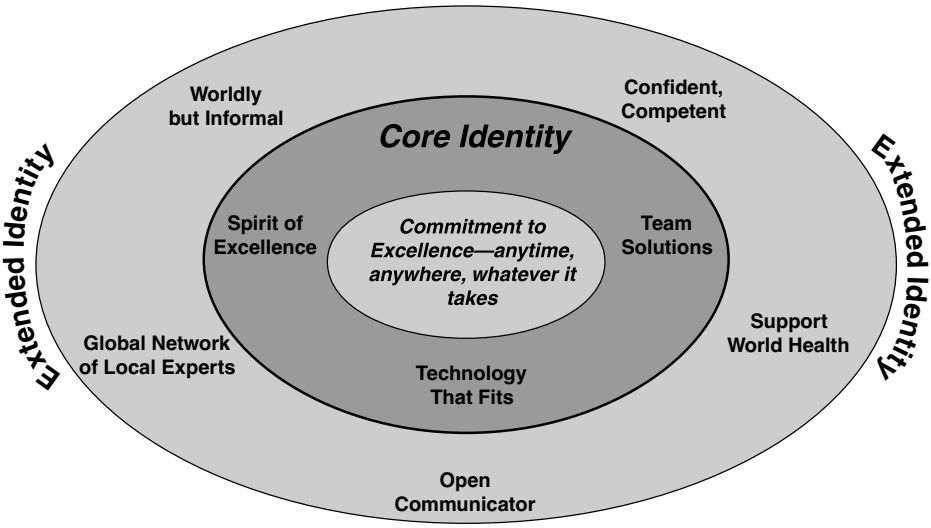

Figure 9.5 The Ajax Brand Identity

A good brand essence will capture much of the brand identity from a different perspective, will provide a tool to communicate the identity, and will inform and inspire those inside the organization. Consider "transforming futures," the brand essence of the London School of Business. It provides an umbrella over what the LBS is and what it does in a way that is uplifting and inspiring to students, alumni, and donors, as well as faculty and staff. Another business school, the Haas School of Business at UC Berkeley, has as its essence "leadership through innovation," which also packages a set of programs and values in a way that inspires.

A key essence choice is whether to focus on what the brand is, or on what it does for customers. The former, such as Banana Republic's "casual luxury" or the Lexus essence reflected in the "passionate pursuit of perfection," would tend to involve functional benefits; the latter, such as American Express' "do more" or BMW's "ultimate driving machine," tend to look to emotional and self-expressive benefits.

Proof Points and Strategic Initiatives

A brand identity should not simply reflect something that appeals to customers. Rather, the firm needs to be willing to invest behind it and create products and programs that will deliver on the promise. Toward that end, each identity element should have proof points and/or strategic initiatives associated with it.

Proof points are programs, initiatives, and assets already in place that provide substance to the strategy position and help communicate what it means. L.L. Bean has a position around outdoor enthusiasts. Proof points include the brand's heritage of outdoor activities, a flagship store geared to the outdoors, and the expertise and professionalism of the customer contact staff. Nordstrom's has a customer service position supported by the following proof points:

- A current reputation for customer service
- A policy that attaches a service person to a customer rather than a product area
- A current return policy that is well known and has credibility
- A compensation program that makes the customer experience a priority
- The quality of the staff and the hiring program
- An empowerment policy permitting innovative responses to customer concerns

A gap between what the brand now delivers (even given the proof points) and the promise implied by the strategic position should lead to strategic imperatives. A *strategic imperative* is an investment in an asset or program that is essential if the promise to customers is to be delivered. What organizational assets and competencies are implied by the strategic position? What investments are needed in order to deliver the promise to customers?

If a regional bank aspires to deliver a relationship with customers, two strategic imperatives might be needed. First, a customer database might need to be created so that each customer contact person would have access to all of the customer's

accounts. Second, a program might be needed to improve the interpersonal skills of customer contact people, including both training and measurement.

The Role of the Brand Identity

The need to articulate a brand identity and position introduces discipline and clarity into the strategy formulation process. The ultimate strategy is usually more precise and elaborated as a result. However, the brand identity and position have other, more explicit roles to play.

One role is to drive and guide strategic initiatives throughout the organization, from operations to product offering to R&D project selection. The overall strategic thrust captured by the identity and position should imply certain initiatives and programs. For example, given that we want to be an e-business firm, what tools and programs will customers expect from us? Initiatives and programs that do not advance the identity and position should be dialed down or killed.

A second role is to drive the communication program. A strategic identity and position that truly differentiates the product and resonates with customers will provide not only punch and effectiveness to external communication, but consistency over time because of its long-term perspective over organizational units that tend to march to their own drummers.

A third role is to support the expression of the organization's values and culture to employees and business partners. Such internal communication is as vital to success as reaching out to customers. Lynn Upshaw, a San Francisco communication consultant, suggests asking employees and business partners two questions:

- Do you know what the business stands for?
- Do you care?

Unless the answers to these questions are yes—that is, employees and business partners understand and believe in the business strategy—the strategy is unlikely to fulfill its potential. Too many businesses drift aimlessly without direction, appearing to stand for nothing in particular. Lacking an organizational sense of soul and a sound strategic position, they always seem to be shouting "on sale," attached to some deal, or engaging in promiscuous channel expansion.

Multiple Brand Identities

Arbitrarily insisting that a brand identity should apply to all products or market segments can be self-defeating. Rather, consideration should be given to adapting it to each context. One approach is to augment the brand identity to make it appropriate to a specific context. For example, Honda is associated with youth and racing in Japan while being more family oriented in the United States, but both positions share a focus on quality and motor expertise. Another is to define one of the brand identity elements differently in disparate contexts. Quality for GE Capital might be different than quality at GE Appliances, but high standards apply to both.

The Brand Position

The brand position represents the communication objectives—what parts of the identity are to be actively communicated to the target audience. The conceptualization of a brand position independent of a brand identity frees the latter to become a rich, textured picture of the aspirational brand. The brand identity does not have to be a compact view appropriate to guide communication.

The brand position will be inherently more dynamic than the brand identity. As the strategy and market context evolve and communication objectives are met, new ones become appropriate. A series of four or five positions over many years may be required to achieve the brand identity.

One fundamental choice often in front of strategists is whether to create a position that is credible or aspirational. In the case of Ajax, the firm's energy and over-the-top quality was legendary and created a value proposition with both functional and emotional components. An associated brand position would be credible, compelling, and relatively easy to implement. However, it would not move the needle as far as supporting the new strategy. A position around collaboration and team solutions, on the other hand, would be on-strategy but would also not be credible for a firm noted as being arrogant and silo-driven and would be expensive and maybe even infeasible. The choice depends on the answers to two questions. Does the firm have programs in place to deliver on the new promise? Is the market ready to accept the changed firm? If the answer to either question is no, it might be prudent to delay the aspirational position.

Another positioning choice is whether to emphasize points of differentiation or points of parity. The answer will depend on which direction will affect the target market. If the brand has a well-established image on a point of differentiation (such as value for Kmart, safety for Volvo), it may be more effective to attempt to create a point of parity on another dimension that is holding it back (quality for Kmart or styling for Volvo).

KEY LEARNINGS

- Brand equity, a key asset for any business, consists of brand awareness, brand loyalty, and brand associations.
- Awareness provides a sense of familiarity and credibility and makes it more likely that a customer will consider a brand.
- A core loyal customer base reduces the cost of marketing, provides a barrier to competitors, supports a positive image, and provides time to respond to competitor moves.
- Brand associations can and should go beyond attributes and benefits to include such associations as brand personality, organizational intangibles, and product category associations.
- The brand identity represents aspirational associations. The most important of these, the core identity, should be supported by proof points and/or

strategic imperatives and should be the driver of strategic programs, including product development.

- While the identity represents long-term aspirational associations and is multidimensional, the position represents the short-term communication objectives and is more focused.

FOR DISCUSSION

1. Explain how each of the three brand equity dimensions provide value to the firm. Explain how they provide value to customers.
2. What is the difference between identity and position? Develop alternative positioning statements for Ajax. Include a tagline and the rationale for that tagline.
3. Create a brand identity for Virgin Atlantic Airlines. Are there potential dimensions, such as high quality and superior service, that are inconsistent with the brand's personality? If so, how is that handled? How has the identity been brought to life? What are the proof points? Why don't more brands emulate Virgin's brand-building programs?
4. Pick out three brands from a particular industry. How are they positioned? Which is the best in your view? Does that brand's positioning provide any emotional or self-expressive benefits? How would you evaluate each brand's positioning strategy? Hypothesize proof points and strategic imperatives for each brand.
5. Consider the Joie de Vivre hotel concept described on page 172. Think of themes stimulated by magazines or movies, and discuss how you would design a hotel around each concept. For each theme, choose five words that reflect that theme.

NOTES

1. David A. Aaker, *Managing Brand Equity,* New York: Free Press, 1991, p. 57.
2. "Shoppers Like Wide Variety of Houseware Brands," *Discount Store News,* October 24, 1988, p. 40.
3. Leo Bogart and Charles Lehman, "What Makes a Brand Name Familiar?" *Journal of Marketing Research,* February 1973, pp. 17–22.