CHAPTER

03

Brand Building and Business Building

Chapter contents

Chapter overview

This chapter examines the relationship between building a brand and building a business. It argues that, although one comes before the other, the backbone of a successful brand is a successful business. However, a successful business cannot be sustained long term without a successful brand. In this chapter the factors for building a successful business are examined. Business management models are described and discussed in relation to brand building. The main thrust of the chapter is therefore that successful brand building is based on good business models, sound strategy and decision-making by senior managers, as well as innovations and providing more valued added for customers. In Part 1 of this book, Chapter 2 studied brand equity and brand valuation. This chapter has a direct link with Chapter 4, whose focus will be on the alignment between business management philosophy and strategy, and branding philosophy and strategy, which are part of the corporate-based view of branding.

Learning Objectives

After completing this chapter, you should be able to

- Examine the business environments of brands
- Examine the different business management models such as the classic business model, the business revenue model and the modern business model
- Discuss the components of successful business building
- Discuss the strategic implications of business building in brand building
- Apply the management models of business building to brand building
- Identify the critical components of successful brand building

Introduction

If you ask any businessman whether a company has a successful brand without a successful business, his answer would be no. It is patently obvious that you cannot have a brand leader on the back of a bad business. The brand is meant to bring you good business, and the better the brand, the more profitable and healthy the company's balance sheet is going to be. As at the beginning and throughout the book, we learn that brands ultimately bring the buyer to the seller by differentiating his products from that of competitors and help to retain the former and sustain the business. The next question is: can we build a successful business without a brand? The answer is again no. Although some companies have done well without a brand they have come to realize or are about to realize that they now need a brand or they are going to need one. It depends on a company's objectives how it wants to grow and how success is determined. For many companies faced with today's intense competition and globalization, the brand is the only thing that will keep their businesses functioning in the long term and give them a competitive advantage. As Chapter 4 will show, branding is important to all kinds of companies. Many of the big brands are now to be found in the water, gas and electricity companies, public services and transport, e.g. Yorkshire Water and Powergen, as well as small traders and contractors. However, strong brands take a long time to build and there are basic rules to be observed: a brand starts with a quality product or a USP, then advertising and promotions resources are required to build it. Not all companies will have the resources for this. Although branding is important to businesses, not all of them will have the resources to develop a brand and sustain it. Some principles of business management can also be applied to brand building, because there are similarities in terms of the business environments that a company director and a brand manager face, such as customers, employees, partners (e.g. in the context of strategic brand alliance), stakeholders, economics, technology and social environments. As a result, both company directors and brand managers have at least three common vocabularies: manage, adapt (to change) and look out for opportunities. This chapter will deal with business management models and how these can be applied to brand building. In other words, it will look at the strategic orientation of brand building deriving from business management principles.

The basics of brand building

What are the requirements for building a brand?

- Financial resources.
- Personnel resources.
- A clear differentiation or a USP.
- Quality and an innovative product.
- Advertising and promotions resources.

As stated, not all companies will have these kinds of resources and therefore not all companies will be able to develop, build and sustain a brand. Examples are small companies, small traders, contractors and those that operate in the non-profit sector.

Doyle (1990) has suggested that there are four levers for developing successful brands: quality, service, innovation and differentiation. Furthermore, he maintained that quality and service as opposed to advertising was the way to create successful brands (see Chapter 5).

There are eight factors that make it difficult to build brands:

1 Pressure to compete on price.
2 Proliferation of competitors.
3 Fragmenting markets and media.
4 Complex branding strategies and brand relationships.
5 The temptation to change identity/executions.
6 Organizational bias against innovation.
7 Pressure to invest elsewhere.
8 Pressure for short-term results.

Furthermore, as competition becomes more intense, companies face challenges to adjust their brands to match the changed expectations of their customers. Brand positioning can help in building the companies' brand superiority in the minds of their customers (see Chapter 5).

The classic business model

A business model converts innovation to economic value for the business. The business model spells out how a company makes money, by specifying where it is positioned in the value chain. It draws on a multitude of business subjects including entrepreneurship, strategy, economics, finance, operations and marketing. Based on the 'value-added' model of Michael Porter (1980), a business model describes how a business positions itself within the value chain of its industry and how it intends to sustain itself – that is, to generate revenue. This idea also forces management to look at its operations from the customer's point of view.

The components of a business model

Osterwalder's (2004) conceptualization describes a business model as consisting of nine related business model building blocks (see Figure 3.1).

Other authors, such as Marc Fetscherin and Gerhard Knolmayer (2004), suggest that a business model is made up of five components: the product, the consumer, the revenue, the price and the delivery. In between these two models, a business model can also be considered in terms of the following six components (Chesbrough and Rosenbloom, 2002):

1 *Value Proposition* is a description of the customer need, and the solution that addresses the need that customers have.
2 *Market Segment* is the group to target. Different market segments have different needs.
3 *Value Chain Structure* The firm is seen as a chain of value-creating activities. The firm's position and activities in the value chain and how the firm will capture part of the value that it creates in the chain is important.
4 *Revenue Generation and Margins* are concerned with how revenue is generated (sales, leasing, subscription, support, etc.), the cost structure and target profit margins.
5 *Position in the Value Network* relates to the identification of competitors and complementary organizations, and any network effects that can be utilized to deliver more value to the customer.

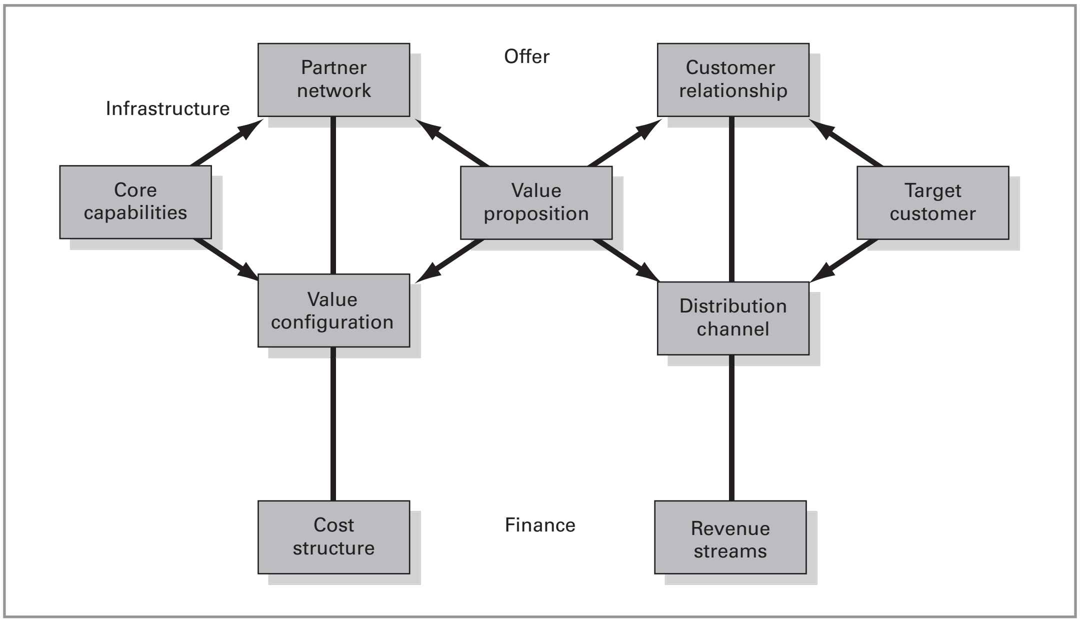

FIGURE 3.1 Osterwalder's model

6 *Competitive Strategy* describes how the company attempts to develop a sustainable competitive advantage and to use it to improve its competitive position in the market.

The business model vs the revenue model

While the term 'business model' describes the method of doing business, such as positioning the company in the value chain, customer selection, products and pricing, a revenue model lays out the process by which a company actually makes money, by specifying how it is going to charge for the services provided.

Revenue is a US business term for the amount of money that a company receives from its activities in a given period, mostly from sales of products and/or services to customers. It is not to be confused with the terms 'profit' or 'net income' which generally mean total revenue less total expenses in a given period. In Europe (including the UK) the term is 'turnover'.

Revenue is basically 'price × quantity' (the price for one, times the number, or the price per kg times the mass in kg, etc.), accumulated over all goods; if the price per unit varies with the quantity, then for each price per unit this calculation is carried out, and the results are obtained. Net revenue (revenue − returns) is used when sales returns are a factor in the business.

Revenue, like all income statement accounts, can only be presented in terms of a period – for example, the revenues a company earned between 1 January 2005 and 31 December 2005. Alternatively, one could express it in terms of the following examples: 2005 revenue, Q1 (1st quarter) revenue, or March revenue. This time span is in contrast to a balance sheet account, which would be given as of the date of the statement. To simply say that a company earned revenue of $5 million without giving a period is meaningless (although stating that a company has $5 million cash certainly has meaning). Internally, companies break revenue down by operating segment, geographic region and product line.

Revenue is a crucial part of any financial analysis. A company's performance is measured to the extent to which its asset inflows (revenues) compare with its asset outflows (expenses). Net income is the result of this equation, but revenue typically enjoys equal attention during a standard earnings call. If a company displays solid 'top-line growth', analysts could view the period's performance as positive even if earnings growth or 'bottom-line growth' is stagnant. Conversely, high income growth would be compromised if a company failed to produce significant revenue growth. Consistent revenue growth, as well as income growth, is considered essential for a company's publicly traded stock to be attractive to investors.

Revenue is used as an indication of quality of earnings. There are several financial ratios attached to it, the most important being price/sales, gross margin, and net income/sales (profit margin). Companies also use revenue to determine bad debt expense using the income statement method. Price/sales are sometimes used as a substitute for a price to earnings ratio when earnings are negative and the P/E is meaningless. Though a company may have negative earnings, it almost always has positive revenue. Gross margin is a calculation of revenue less cost of goods sold, and is used to determine how well sales cover direct variable costs relating to the production of goods. Net income/sales, or profit margin, is calculated by investors to determine how efficiently a company turns revenues into profits.

Business models that are optimized to reduce the upfront investment, that accelerate the revenue/receivables cash inflow, that obtain cogent and reliable customer feedback often and earlier, and that take other measures to reduce the investment risk all have a higher probability of business success.

Modern business models

The old business models no longer work. The reason is the new business environment in which companies operate (see Chapter 10), which is characterized by speed and complexity. In the mid-1990s a variety of aggressive strategies were developed and were rated according to their marketing assertiveness, risk propensity, financial leverage, product innovation, speed of decision-making, and other measures of business aggressiveness. Some business planners have also started to use a complexity theory approach to strategy (Axelrod, 1999; Holland, 1995; Kelly and Allison, 1999). Complexity can be thought of as chaos with a dash of order. Chaos theory deals with turbulent systems that rapidly become disordered.

Today's market leaders will have the following three features in their business strategy: visionary growth strategies, winning organization and people, and relentless innovation. While companies are still greatly concerned with cost structure, maximizing operational effectiveness and business process re-engineering, they have shifted their focus to issues such as how to build capabilities for faster growth, how to attract and retain the best people, how to develop leaders at all levels in the company, how to manage knowledge effectively, how to become a true learning organization, and how to be more effective global corporations. The new business model must, therefore, have a much sharper focus on the basics of what ultimately creates value, such as people, knowledge and coherence. It should foster the creation of value and ensure that each piece of the business contributes to system-wide value. It should also go beyond the workplace and the interface between government and business, and look into building a favourable social climate within and around the company, as well as providing customers with more value-added (MVA), which goes beyond simplifying customers' interactions with the company to delivering solutions to customers' problems. The principle of MVA is similar to a ladder with the company's product at the bottom and the solution to the company's customers' problems at the top. The more help companies provide their customers to fill that gap, the more value they add to them, which differentiates them from their competitors, who may still be scrambling around at the bottom of the ladder.

Another type of business model is the strategic response model. The competitive importance of a strategic response model lies in a firm's ability to respond to market changes faster than competitors in correcting product mistakes, refining product successes and emulating competitors' product successes. A strategic response model of a company is a useful perspective to use in viewing the totality of a single-business firm (or a new division of a firm) when market strategy is to be temporarily the dominant strategic policy.

In the late 1980s the impact of information technology in competing in markets through new products emphasized the importance of the 'response time' capabilities in companies to aggressively create market share, e.g. Toyota. Time was thus used strategically as a sustainable competitive advantage, and companies that adopted such strategies were called 'fast cycle companies'. Speeding up the response time of companies to meet changes in customer needs and the economic environment required more than simply working faster. It required working differently and thinking about why it takes time to respond, whether responses are correct, and how to respond more quickly and correctly. The sustainable competitive advantage gained from attention to time was through satisfying customers better and faster. Fast-cycle companies develop new products sooner than competitors, process customer orders into deliveries more quickly, are more sensitive to customer needs, and make decisions on how to add value in their products/services to the customer faster than competitors (Betz, 2002).

A strategic innovation model provides a perspective for optimizing both short-term resources and long-term sales by rationalizing the use of profits and capital to implement innovation. Innovation may be in physical as well as in information technologies. The following model adopted from Jennings and Haughton, reflects to some extent, the fast cycle company model above.

Moving with speed: the four components concept

1. *Thinking fast:* anticipating the future, spotting trends before others, challenging assumptions, and creating an environment that encourages people to come up with the best ideas.
2. *Making quick decisions:* being flexible, having no bureaucratic structures, shuffling portfolios, reassessing everything, and matching the decision to the consequence.
3. *Get the product to the market fast:* getting the product to the market faster through removing in-built speed-breakers, abandoning traditional visions and missions, getting vendors and suppliers operating on your timetable, and building virtuous circles of speed.
4. *Sustaining speed:* maintaining velocity through working on your business, persisting with growth, being ruthless with resources, building a scoreboard that measures activity, staying financially flexible, proving the maths, institutionalizing innovation, and staying close to the customer.

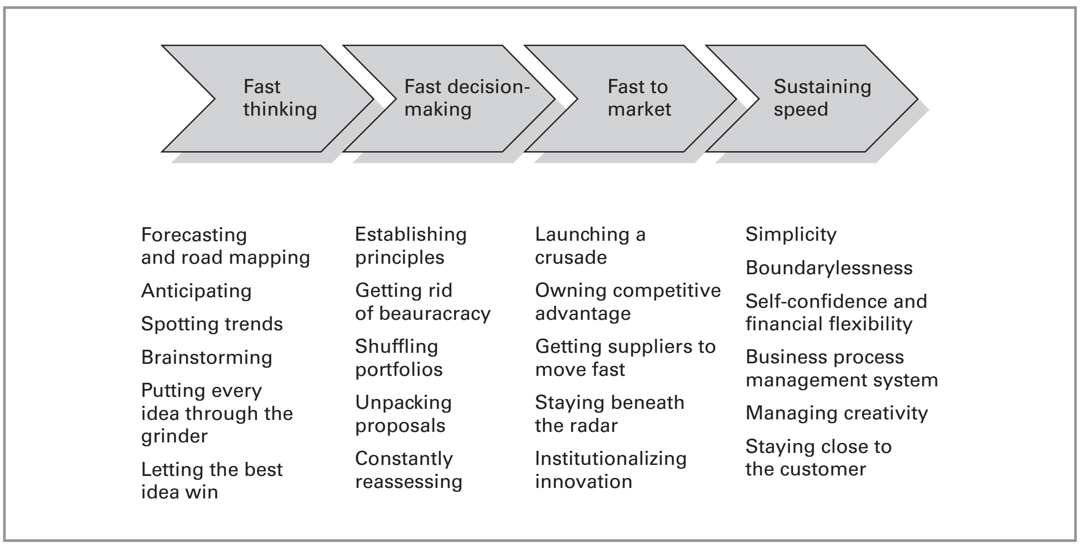

FIGURE 3.2 Fast thinking – sustaining speed

Applying business management models to building brands

Business models can be applied to brand-building situations, because a business environment is similar to the environment in which a brand manager operates. That is to say, the basic principles or rules underpinning business models can be used in brand-building situations. These include value proposition, market segment, position in the value network and competitive strategy (cf. the six components of the business model, mentioned above). With regard to value proposition, a brand must provide customers with solutions that customers will value. With market segmenting, a brand must meet different market needs and position itself in the value network to deliver more benefits or values to the customer. Finally, competitive strategy can be seen from a long-term perspective which is reflected in companies working to have a sustainable brand in order to improve the competitive position of the brand in a given market.

Modern business models emphasize three elements: visionary growth strategies, human resource and innovation. In a brand-building context, the firm's employees are one of the focal points (cf. internal branding and strategic brand management in Chapter 4). The whole company contributes to the building of the corporate or the brand. With regard to innovation, see the section on 'Innovation and branding' below.

As mentioned above, the new business model has a much stronger focus on the basics of what ultimately creates value: people, knowledge and coherence. Knowledge can be seen in the context of obtaining or acquiring market information and managing market intelligence, which includes collecting and interpreting data to give the company a better picture of the market. Coherence refers to a coherent company structure, which underlines successful brand management (see Chapter 4). In the past businesses had a functional or departmental structure. Nowadays the emphasis is more on a cross-functional teams structure. Brand managers are seen to be working more with other departments such as production, accounting/finance, etc. to ensure consistent brand delivery (see Chapter 9) to the customer, and possibly also having a seat on the board in the future (see Chapter 4). This is supported by the concept of 'total branding'. Successful brand management may also be guided by the principles of business success, which require it to be proactive, leading, innovative and venturing. These qualities are exhibited in a number of leading brands in many markets.

Brand building is based on sound business strategy and decision-making

Brand building is based on sound business strategy and decision-making by senior management. First, one cannot create or build a brand without first building a business. Many companies attempt to build a brand by throwing money into multi-million-dollar, mass advertising, brand-image campaigns. These companies fail to realize that the business is their brand (see the Starbucks story in the Branding Brief 3.1 below). Second, brand building is about business building through the generation of higher revenues and profits, which in turn will lead to greater shareholder value and a stronger brand. In order to generate higher revenues and profits, companies must go back to the business models and improve the functionality of a product, the quality of services offered, or enhance the customer's experience among others, to build a strong customer base. Marketing principles, which state that the purpose of a business is to satisfy customers' needs/desires, must also precede brand building.

Brands are built on the basis of a clear business strategy and of rigorous implementation of the 5Ps – product, price, place, promotion (or communication) and people. For example, Coke's success is based on three factors: *product availability* – Coke can be found everywhere in the world; *pricing accessibility* – Coke in India and China for instance, are sold for the same price as tea; and *product attractiveness*, which is a communication issue (Kapferer, 2004). On the other hand, Starbucks' success relies on sourcing, high product quality (using the highest-quality coffee beans), and creating a need for a new product (in this case new taste and flavour) and a comfortable environment for the customer.

Breaking the rules and acting fast

The four components of the 'fast' company model (see above) also correspond to how a brand leader usually develops. The brand leader usually starts with an innovation that succeeds or a product that captures a new trend or lifestyle. It then attempts to get to the market first, by removing in-built speed-breakers and getting vendors and suppliers operating on the company's side. To maintain momentum it then institutionalizes innovation and stays close to the customer, creating a gap between itself and incoming competition, then quickly reaches critical size in the market.

More value-added (MVA)

In branding terms, value added means that a company must provide more than customers' expectations. This can mean providing more value in either the concrete or the abstract value of the brand. A brand that is innovative, that excites and reflects a new lifestyle, will give more value to customers than a brand whose attraction is based on price only. Packaging and price can be both concrete and abstract values of the brand, because they may reflect a lifestyle also. For example, Starbucks reflects a lifestyle, while iPod is innovative and trendy for young people.

Innovation and branding

Innovation today is 'much more than new products'. Innovation means also 'reinventing business processes and building entirely new markets that meet untapped customer needs'. The ubiquity of the Internet and the globalization of business encourages the generation of new ideas. Innovation is then 'selecting and executing the right ideas and bringing them to market in record time' (*BusinessWeek*). An example of a highly innovative company in the consumer market is Apple. According to the *BW*/BCG 2007 survey, top managers believe Apple is the most innovative company in the world (see Table 3.1). Apple is one of the Top 20 innovators of the Innovation Index. It has a glorious history of innovation, beginning with the first Apple computer in 1976, followed by Graphical User Interface (GUI) along with the popular Macintosh introduced in 1984; the reliable PowerBook introduced in 1991; the PDA named Newton that created a new industry of handhelds in 1993; the new millennium revolution beginning with the iMac in 1998; the new iBook hot on the heels of the iMac in 1999; the iPod that put the oomph into MP3 players and essentially changed music as we know it in 2001; iTunes software and Music Store service that changed the music industry business model and made it easy for fans to listen to and buy music piecemeal in 2003; the iPod mini; iPod (U2 Special Edition); iPod Photo in 2004; iPod Shuffle; iPod Nano; iPod with Video and Mac Mini in 2005; the new iMac with Intel core Duo processors; and the new MacBook with Intel processors in 2006.

The iPod is Apple's best innovation, however, and some people believe it drives Apple to becoming the number one innovative company.

Introduced in 2001, the iPod has an outstanding design, easy-to-use interface, superb performance, and offers an experience like no other. Apple assumed the world's number one innovative company position and held it again in 2006 in large part due to the exponential growth of the iPod, aptly called the 'iPod phenomenon'. iPod has become associated with personal status and is a symbol that speaks of cool, hip, polished and different. What began as a new product quickly became a revolution. iPod is by far the best commercial innovation the world has seen in the past few years. Apple one-upped the iPod design innovation by creating new innovations in its business model with the launch of the iTunes online service enabled by strategic partnerships with the music, TV and movie industry (Source: creativityandinnovation.blogspot.com, 2006).

There are a number of factors that make iPod so successful: simple and elegant design that makes it extremely easy to use, with exceptional sound, video and imagery, providing an amazing

EXHIBIT 3.1 The iPod is Apple's best innovation

experience. The flexibility provided by the iTunes software and service allows us to download any music and video with the click of a button from any computer or the Internet to our iPod. The available accessories from wireless headsets, to remote controls, beautiful skins, acoustic speakers and connectors mean iPod music and videos can be taken anywhere at home, in the car, in the office, on the plane and even in the shower.

The main reasons for Apple's success lies in the fact that the company uses design thinking to create products/services that meet the hitherto unmet needs of consumers. Add to this its ability to create desire for products no one ever knew they wanted; to target, create, saturate and dominate a market sector; to stay ahead of the curve all the time; its willingness to be different (e.g. iPod, iTunes, iPhone, Macintosh, OSX), always developing new products for new markets that may be copied by Microsoft and others. Apple has great ideas and a history of developing hit, consumer-friendly products, or introducing meaningful and useful innovations for the mass market. It has maintained leadership in new product development from the first personal computer (Lisa – before the Mac) to iPods, and now mobile phones (*BusinessWeek*, May 2007).

BusinessWeek/Boston Consulting Group (BCG) recently announced the world's Top 50 innovative companies for 2008; 17 of the Top 20 innovators of the Innovation Index are included in the Top 50 innovative companies of the world by *BusinessWeek*/BCG. This is a testament to the Innovation Index methodology and process.

Understanding the values of the target market

Not all clients are alike. Different brands can coexist in the same sector because they address the value of different target markets. This is also why companies build brand portfolios to reflect the different segments of the market. Within the portfolio each brand may also be competing with itself (see Chapter 9).

Rank	Company	HQ Country	HQ Continent	Revenue Growth 2004–07 (in %)	Margin Growth 2004–07 (in %)	Stock Returns 2004–07 (in %)	Most Known for its Innovative . . . (% who think so)
1	APPLE	US	North America	47	69	83	Products (52%)
2	GOOGLE	US	North America	73	5	53	Customer Experience (26%)
3	TOYOTA MOTOR	Japan	Asia	12	1	15	Processes (36%)
4	GENERAL ELECTRIC	US	North America	9	1	3	Processes (43%)
5	MICROSOFT	US	North America	16	8	12	Products (26%)
6	TATA GROUP	India	Asia	Private	Private	Private	Products (58%)
7	NINTENDO	Japan	Asia	37	4	77	Products (63%)
8	PROCTER & GAMBLE	US	North America	16	4	12	Processes (30%)
9	SONY	Japan	Asia	8	13	17	Products (56%)
10	NOKIA	Finland	Europe	20	2	35	Products (36%)
11	AMAZON.COM	US	North America	29	-11	28	Customer Experience (33%)
12	IBM	US	North America	1	11	4	Processes (31%)
13	RESEARCH IN MOTION	Canada	North America	56	-1	51	Products (37%)
14	BMW	Germany	Europe	6	-5	11	Customer Experience (40%)
15	HEWLETT-PACKARD	US	North America	10	17	35	Processes, Business Models, and Customer Experience (27% each)
16	HONDA MOTOR	Japan	Asia	12	6	14	Products (40%)
17	WALT DISNEY	US	North America	6	14	7	Customer Experience (63%)
18	GENERAL MOTORS	US	North America	-2	NA	-11	Products (55%)
19	RELIANCE INDUSTRIES	India	Asia	31	-7	94	Business Models (31%)
20	BOEING	US	North America	9	32	21	Products (63%)
21	GOLDMAN SACHS GROUP	US	North America	30	6	28	Processes and Business Models (33% each)
22	3M	US	North America	7	5	3	Products (45%)
23	WAL-MART STORES	US	North America	10	-2	-2	Processes (48%)
24	TARGET	US	North America	11	3	0	Customer Experience (67%)
25	FACEBOOK	US	North America	Private	Private	Private	Customer Experience (51%)
26	SAMSUNG ELECTRONICS	South Korea	Asia	2	-14	8	Products (42%)
27	AT&T	US	North America	43	6	23	Customer Experience (33%)
28	VIRGIN GROUP	Britain	Europe	Private	Private	Private	Customer Experience (47%)
29	AUDI	Germany	Europe	11	11	41	Products (50%)

30	MCDONALD'S	US	North America	7	-7	25	Customer Experience (42%)
31	DAIMLER	Germany	Europe	-11	37	28	Products (35%)
32	STARBUCKS	US	North America	23	-2	-13	Customer Experience (60%)
33	EBAY	US	North America	33	-37	-17	Business Models (28%)
34	VERIZON COMMUNICATIONS	US	North America	12	0	9	Services (41%)
35	CISCO SYSTEMS	US	North America	20	-5	12	Products (35%)
36	ING GROEP	Netherlands	Europe	7	4	11	Services (41%)
37	SINGAPORE AIRLINES	Singapore	Asia	9	5	20	Customer Experience (55%)
38	SIEMENS	Germany	Europe	1	21	22	Products (41%)
39	COSTCO WHOLESALE	US	North America	11	-5	14	Customer Experience (46%)
40	HSBC	Britain	Europe	12	-1	4	Services (39%)
41	BANK OF AMERICA	US	North America	12	0	0	Customer Experience and Services (23% each)
42	EXXON MOBIL	US	North America	11	7	25	Processes (50%)
43	NEWS CORP.	US	North America	4	4	4	Business Models (47%)
44	BP	Britain	Europe	14	-5	11	Processes (42%)
45	NIKE	US	North America	8	-1	14	Customer Experience (43%)
46	DELL	US	North America	7	-12	-17	Business Models (37%)
47	VODAFONE GROUP	Britain	Europe	7	-21	15	Business Models (33%)
48	INTEL	US	North America	4	-10	6	Products (53%)
49	SOUTHWEST AIRLINES	US	North America	15	9	-9	Customer Experience (50%)
50	AMERICAN EXPRESS	US	North America	3	1	3	Customer Experience (35%)

TABLE 3.1 The top 50 innovative companies in the world; Apple is number one for the fourth year in a row

Branding Brief 3.1: Building the business creates the brand

Source: Extract taken from Moore, J., 'Tribal Knowledge: Business Wisdom Brewed from the Grounds of Starbucks Corporate Culture' (September 2006), pp. 3, 4 & 6 (http://tinyurl.com/BuildingTheBusiness).

Starbucks never sought to create a brand. The company was too busy being a business to try to be a brand. Starbucks was too busy building a viable and profitable business to think about something as seemingly trivial as branding. Starbucks was too busy sourcing and roasting the highest-quality coffee beans to think about branding. Starbucks was too busy educating customers on how and why they should appreciate a stronger, bolder cup, a more flavourful cup of coffee to think about branding. Starbucks was too busy creating a comforting and welcoming place for people to relax to think about branding.

Because Starbucks was busy working on and working in the business, they built a business of which the by-product was the creation of a strong brand.

Starbucks teaches us that rarely, if ever, can you sprinkle magical branding dust to create an endearing and enduring brand.

But that doesn't stop companies from trying. Instead of spending money to improve the functionality of a product, the quality of services offered, or enhancing the customer's experience, many companies will attempt to build a brand by throwing money into multi-million dollar, mass advertising, brand image campaigns.

These companies fail to realize that your business is your brand.

Starbucks Tribal Knowledge tells us you cannot create a brand before you create a business. Your business creates your brand. Your brand should never create your business.

Branding Brief 3.2: How to build a successful brand

Source: BBC News 24

Building up a successful, well-known brand name can seem an impossible dream for a small business

Such ubiquitous branding appears the sole preserve of the giant multinationals with their multi-million-pound advertising budgets.

Yet as marketing expert Simon Edwards explains, creating an enduring brand isn't just about money.

Instead, at the core of any successful brand has to be a quality product, and that is within reach of any small firm.

Question

Ana Stamenkovic, England

'I am interested to know if you feel it is really viable for small businesses to build brand names that are recognized by the consumer, without having access to huge marketing budgets?

'For example in industries such as the jewellery industry where it is dominated by small designers and family companies, aren't we in danger of reaching a saturation of brands, and furthermore can a small enterprise really carry the cost of brand building?'

Answer

Simon Edwards, marketing director at Cobra Beer

'Here's the bad news. Most markets have been saturated for a very long time and everyday, even more companies try to break into these markets.

'The principles of branding have been put together to try to help establish a company in a crowded market and to help it compete and grow.

'But you don't need huge marketing budgets to start building an enduring brand. In fact you don't need any marketing budget at all.

'Building an enduring brand starts long before you spend money on advertising and promotion – it starts with your product and or service – what can you offer customers that your competitors can't? What can you do operationally that will make your customers want to work with you?

'Examine every point at which your company operates and try to find ways of doing it better. Look at all the competing products and make sure yours is outstanding. It is this collective aspect of your company that will establish its identity.

'Giving your company a name is not branding. Giving your customers a reason to want to remember your name is.'

Branding Brief 3.3: Brand building – first step to reinventing marketing

Source: ANA Marketing Musings, 7 February 2006

While brand building has long been the mantra of marketers, the fundamental meaning of this term has radically changed. No longer are soft measures like 'brand awareness', 'brand preference' and 'intention to buy' acceptable. Brand building from the CEO's perspective is about business building – generating higher revenues and profits, which in turn will lead to greater shareholder value.

To achieve these lofty goals, brands not only need to be built, they must also be continuously reinvented to remain relevant to ever-changing consumer needs and desires.

Brand reinvention begins with innovation. Innovation that continuously refreshes the brand in ways that speak to consumers one-to-one and build long-term appeal and trust.

The iPod is an amazing example of innovation. It has totally reinvented the way music is acquired, played and enjoyed. In fact, industry analysts are now talking about the 'halo' effect of the iPod. They're predicting that continued sales of iPods to Windows PC owners will eventually translate into increased Mac sales. And they're beginning to see a steady stream of first-time Mac buyers at the Apple retail stores. That's the power of innovation to build brands and business!

Of course, innovation not only drives new brand introductions – it also drives the reinvention of existing brands. Here's a fabulous example:

Motorola has engineered a remarkable business turnaround by reinventing its brand and approach to marketing. In the early 1990s, Motorola owned 46 per cent of the mobile handset market. But that leadership dramatically eroded against strong competitors like Nokia. By 2001, the company's share had plummeted to just 14.5 per cent.

New CEO Ed Zander and CMO Geoffrey Frost – who sadly died last year – led a remarkable reinvention of the Motorola brand – driven by off-the-chart innovation.

Positioning Motorola as 'wickedly cool and compelling', they made a highly focused, strategic investment in a new kind of marketing. Among their steps was to permeate the microculture of trend-setting Hollywood. They established a Motorola office in Tinseltown and courted the 'alpha techno-geeks' who love to have the latest, greatest gadgets.

Motorola products subsequently began appearing in films and TV shows – not as the result of paid product placement, but because the brand had penetrated the living, breathing celebrity community. Of course, marketing fabulously innovative products – like the amazing RAZR – was the foundation of the strategy. And the buzz built fast.

Now you might think that this kind of innovation only applies to consumer products. Not true – just ask the marketers at General Electric.

Although GE markets consumer products like light bulbs and home appliances, the lion's share of its revenues come from business products and services like jet engines, plastics, power generation and medical equipment. For decades, the company's brand identify was tied to its 'We bring good things to life' tagline – a remarkably durable slogan for a difficult-to-describe conglomerate.

But CEO, Jeffrey Immelt, and chief marketing officer, Beth Comstock, recognized that the GE brand needed reinvention for the future. At General Electric, marketers and marketing were charged with a most unusual and dynamic objective – to change the direction of the company. Mr Immelt wanted marketing and business strategies interwoven to optimize synergy and productivity. And they did just that with the spectacularly successful platform of 'Imagination at Work'.

More than just a tagline, Imagination at Work is a promise to the marketplace and an internal cultural commitment to drive organic growth through innovation. In typical GE style, the company supported its new theme with rigorous training programmes and a new enterprise-wide process that challenged managers to develop five new ideas, each with the potential to grow revenue by $50–100 million.

Today, some 80 growth projects are now 'in plan' and being funded. These efforts encompass technology innovation, product commercialization, growth expansion and value creation. It's not easy for a mega-company to grow year-over-year. But GE is consistently doing just that. Its 2004 revenues rose nearly 14 per cent over 2003 – that's over $18 billion of growth in one year! Brand reinvention driven by continuous innovation is surely a key reason why!

Conclusion

The strategic orientation of brand building deriving from business management principles has been examined in this chapter. Several business management models have been described and applied in the context of brand building. This is the author's attempt to link strategic brand management to organizational management theory, and is also a new approach to treating brand management which has rarely been looked at in the branding literature.

In this chapter I argue, first, that some principles of business management can be applied to brand-building situations, because a company director and a brand manager face similar business issues such as customers, employees, partners (e.g. in the context of strategic brand alliance), stakeholders, economic, technology and social environments. Second, brands are built on their business models and therefore customers and environmental influences are unique to each brand. So, we need to look at the business model of that brand.

A business model describes how a business positions itself within the value chain of its industry and how it intends to maintain that position so as to generate revenue. Brand building is based on a similar principle: the brand needs to position itself in the value chain of its industry or product market or product category, so as to sustain itself in generating revenue in the long term. The six components of the business model are: value proposition, market segment, value chain structure, revenue generation and margins, position in the value network and competitive strategy. With regard to value proposition, a brand must provide customers with solutions that they will value. With reference to market segment, a brand must meet different market needs. Position in the value network to deliver more benefits or values to the customer, while competitive strategy can be seen from a long-term perspective. This is reflected in companies working to create a sustainable brand in order to improve the competitive position of the brand in a given market.

The modern business model emphasizes three elements: visionary growth strategies, human resource and innovation. In the brand-building context, a firm's employees are one of the focal points of brand building (see Chapter 4, which deals with internal branding and strategic brand management). That is, the whole company contributes to the building of the corporate brand. Successful brand management may also be guided by the other principles of business success, when the requirement is to be proactive, leading, innovative and adventurous. These qualities are exhibited in a number of leading brands in any market.

It also has a much stronger focus on people, knowledge and coherence. It fosters the creation of value, and ensures that each piece of the business contributes to system-wide value. Knowledge can be seen in the context of obtaining or acquiring market information and managing market intelligence, which includes collecting and interpreting data to give the company a better picture of the market. Coherence refers to a coherent company structure, which underlines successful brand management (see Chapter 4). In the past businesses had a functional or departmental structure. Nowadays the emphasis is more on cross-functional team structure. Brand managers are seen to be working more with other departments, such as production, accounting/finance, etc. to ensure consistent brand delivery (see Chapter 9) to the customer and possibly to those with a seat on the board as well (see Chapter 4). This is supported by the concept of 'total branding'.

It also goes beyond the workplace and the interface between government and business, and looks to build a favourable social climate within and around the company. In order to succeed in today's market, brand building should create value not only for the customer but also for the company and its employees and the social community or society at large. This relates to the role of corporate social responsibility and the ethical orientation of brands (see Chapter 9).

Other business models, such as 'the fast company model', are similar to how a brand leader usually develops. The brand leader usually starts with an innovation that succeeds or a product that captures a new trend or lifestyle. It then attempts to get to the market first, by removing in-built speed-breakers and getting vendors and suppliers operating on the company's side. To maintain momentum the brand then institutionalizes innovation and stays close to the customer, creating a gap between itself and incoming competition, then reaches critical size rapidly in the market. The MVA (more value-added) concept in branding demands that a company must provide more than customers' expectations, and is similar to the new marketing principle of meeting, satisfying and delighting customers. That could mean either providing more value in terms of the concrete or abstract value of the brand, such as a brand that is innovative, that excites and reflects a new lifestyle, which will give more value to customers than a brand that is based on price alone.

Key terms

Classic business model: describes how a business positions itself within the value chain of its industry and how it intends to maintain itself to generate revenue. This model has six components: value proposition, market segment, value chain structure, revenue generation and margins, position in the value network, and competitive strategy.

Modern business model: based around growth strategies, competitive strategy, revenue model, value proposition, market segments and value chain structure. It focuses on the basics of what ultimately creates value – people, knowledge, and coherence. It fosters the creation of value and ensures that each piece of the business contributes to system-wide value. It also goes beyond the workplace and the interface between government and business, and looks into building a favourable social climate within and around the company.

MVA: is about giving customers much more than what they ask for by anticipating their needs, wants and desires. The focus of this concept is to provide customers with solutions to their problems before they even ask for them, or to give them what they want before they even know what they want. This will distinguish a company from its competitors. As they say: 'It's not the big that eat the small … it's the fast that eat the slow.'

Revenue: a US business term for the amount of money that a company receives from its activities in a given period, mostly from sales of products and/or services to customers. It is not to be confused with the terms 'profit' or 'net income' which generally mean total revenue less total expenses in a given period. In Europe (including the UK) the term is 'turnover'.

Revenue model: lays out the process by which a company actually makes money by specifying how it is going to charge for the services provided.

Discussion questions

1. Do leading brands make the best products? Discuss.
2. Draw up a business model for a high-tech company of your choice. Explain the elements in that model.
3. Faced with a new competitive situation, which parts of the business model should companies modify?
4. In which sector(s) do you think brands are most important?
5. What are the functions of brands in the fmcg (fast moving consumer goods) sector?
6. Examine the business environment of a small firm and discuss how brands can develop in such an environment.
7. What are the main components for successful business building?
8. Discuss the strategic implications of business building in brand building.
9. Identify the factors of successful brand building.
10. Compare and contrast the classic business building model with the modern business building model, and discuss this in relation to brand building.

Projects

1. Research the history of Jacob's Creek, the Australian wine brand. Find out what were the ingredients for success for this wine when it was launched in the UK mass market.
2. Discuss the business model of cola drinks and compare the different brands' strategies in this category.
3. Can you identify the differences in the brand-building model for luxury goods and non-luxury goods? Support your answer with examples.
4. Find out the cost of advertising and promotions, then work out which one would have a greater impact on profits for a small jeweller.
5. Find out whether advertising will help increase sales for commodities such as milk and fruit.

MINI CASE 3.1: A CASE STUDY IN BRAND BUILDING

Source: Elizabeth M. Lloyd (2005)

Cathay Pacific Airways partners with leading international brands, creating online campaigns that encourage users to interact with the ads

All marketers wishing to delve into international markets should learn from Cathay Pacific Airways' online brand-building techniques. The airline's approach towards reaching its audience by building online partnerships with leading brands such as Universal McCann, CNN, Yahoo! and ZUJI.com has made it one of the major online marketers in Hong Kong and across the Asia Pacific region.

It is no surprise why earlier this year Cathay Pacific was named Hong Kong's leading company by the *Asian Wall Street Journal* in its annual 'The *Asian Wall Street Journal* 200'. Additionally, just last week, Cathay Pacific received two awards in the Yahoo! Emotive Brand Awards for 2004–2005. The airline carried off the Top Emotive Brand award in the Airline category, and was one of seven companies named overall Top Emotive Brand winners. The Yahoo! Emotive Brand Awards polls the portal's Hong Kong users on brands that most appeal to them. Some 184 companies across 17 categories were nominated. More than 700 000 people voted online.

Cathay Pacific and Universal McCann Asia Pacific

In September 2004 Cathay Pacific along with its advertising agency of record, Universal McCann Asia Pacific, developed a comprehensive integrated media plan for a new branding campaign called 'People & Service'. The online component allowed Cathay Pacific to engage users in a way that is not possible for print, TV or radio. According to Catherine Ho, senior communications planner on the Cathay Pacific Central Team, Universal McCann Asia Pacific, 'The benefit of online for this campaign is that it allowed us to "dial up" audience interaction, which included a competition on the little things that Cathay Pacific has done for you in addition to running integrated branding communications online.'

It is evident that the campaign was successful due to its degree of interactivity. For the 'People & Service' campaign, rich media ads ran on all major Hong Kong portals, including atnext.com, orisun.com and msn.com.hk. According to Ho, there was a high degree of acceptance of the rich media creative:

- More than 99 per cent of viewers watched the ad without closing it.
- The ad was viewed completely by the audience (ad duration was about nine seconds).
- Viewers interacted with the ad and used one-third of the display time to play with it.
- Post-impression conversions proved 50 per cent more effective than the standard online ad.

Cathay Pacific and ZUJI.com

Earlier this year, Cathay Pacific partnered with ZUJI.com, Asia Pacific's most comprehensive online travel portal. This partnership allows Cathay Pacific's services to be marketed to ZUJI's online member base exceeding one million travellers, and to advertise in countries such as Singapore, Hong Kong, Taiwan, Korea and Australia, as well as other markets. Additionally, ZUJI offers marketers a wide array of opportunities to reach more than 28 million internet users throughout Asia Pacific, which means that Cathay Pacific has an online presence on the most visited portals on the World Wide Web in each ZUJI market, including (as of November 2004):

- Yahoo! (in Australia, Hong Kong, Singapore and Korea)
- MSN (in Singapore and Korea)

- ninemsn 'Getaway Travel' (the #1 online portal in Australia)
- AsiaOne (a premier news portal in Singapore)
- Expat Express (in Singapore)
- Taiwan Top Tours (part of the China Times' Travel Service section for Taiwan domestic itineraries)
- Naver.com (in Korea)
- Korean Air (in Korea, providing for 'Honeymoon' and 'Woman' travel portals).

Cathay Pacific and CNN

To coincide with the airline's launch of the only twice-daily direct service from Hong Kong to New York in May 2004, Cathay Pacific and CNN teamed up for an exclusive 'Be the first to know' online marketing programme. Targeting business travellers in Asia Pacific, the 'Be the first to know' online contest offered participants a chance to win a unique trip to New York.

According to William Hsu, vice president of CNN advertising sales, Asia Pacific: 'Cathay Pacific is one of our longest-standing media partners in Asia. With our solid understanding of their business and marketing objectives, we were able to add a new dimension with this targeted online program to reach the frequent business travellers in the optimum environment of CNN's online properties.'

Cathay Pacific and Yahoo! Canada

In July 1998 Cathay Pacific teamed up with Yahoo! Canada to develop an interactive traffic-building promotion. Yahoo! Canada and Cathay Pacific Airways developed a customized, interactive contest, giving Yahoo! Canada users the chance to win the trip of a lifetime – a month-long adventure for two to 18 selected Asian cities. The contest was designed to promote and draw qualified consumers to Cathay Pacific's new CyberTraveler online travel newsletter, which offers timely information on travelling in Asia, exclusive low fares, and promotions to hundreds of registered users throughout Canada.

'Cathay Pacific's Canadian CyberTraveller program is a new online initiative,' says Peter Langslow, VP Canada of Cathay Pacific. 'The customized, online promotion with Yahoo! Canada offers us an ideal solution to attract Canadian travellers and internet users of all ages. Cathay Pacific leads the way in service excellence and schedule frequency to Asia from Toronto and Vancouver, and now we have our product in front of Yahoo! Canada's vast audience.'

It is evident that Cathay Pacific is committed to the online channel. By continuing to partner with top leading international brands and creating online campaigns that encourage users to interact with the ads, Cathay Pacific is more than just an airline; it is a perfect example of what a brand marketer in the internet generation should be.

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Questions:

1. Discuss how online branding has contributed to the success of Cathay Pacific Airways' business.
2. Evaluate the different marketing communications that can be used in the airline and travel business. Which, in your opinion is the best method for marketing travel products?

MINI CASE 3.2: LEVERAGING THE BRAND: HALLMARK CASE STUDY

Source: Branding Strategy Insider, 11 January 2008. © Brad VanAuken

As I look back on my tenure as Hallmark's chief brand advocate I'd like to share a few observations that may help you build your brand.

In the early to mid-1990s, an ever-increasing share of greeting card sales occurred in the mass channels. Wal-Mart alone was projected to achieve a 20 per cent share of the total greeting card market by the year 2000. Three brands accounted for the vast majority of sales in these channels: American Greetings, Gibson and Ambassador – Hallmark's flanker brand. The sale of Hallmark branded greeting cards accounted for no more than 20 per cent of the overall market. Hallmark branded products were sold primarily in Hallmark card shops and select chain drug stores. Hallmark's corporate share of greeting card sales was 39 per cent including all brands (Ambassador, Shoebox, etc.).

At the same time Ambassador brand sales were becoming an ever-increasing proportion of Hallmark's overall corporate sales, Ambassador's margins were eroding due to increased retailer leverage over manufacturers and heightened mass channel competition. This trend of a less and less profitable brand becoming a larger and larger share of corporate sales was not acceptable. We knew that more sophisticated contract negotiations and sales term innovations would not be enough to halt or reverse this negative trend. We had to do no less than change the rules of the game itself.

After some thought, we knew our only hope was to unleash the power of the Hallmark brand in the mass channel. But, that was tricky and unpopular as we did not want to undermine the success of the Hallmark card shops and chain drug stores – channels that were our 'cash cows' and to which we felt a strong loyalty.

(We conducted the most extensive research in Hallmark's history to assess the impact of pursuing this strategy on Hallmark card shop and chain drug store sales – which turned out to be minimal. Nevertheless, prior to the launch of this strategy, we fortified the viability of these two channels through extensive store consolidation, marketing, merchandising, systems and standards improvements, most notably through the development of the Hallmark Gold Crown programme. And, we expended great efforts to quantify and communicate the equity and power of the Hallmark name to the mass channel retailers. In fact, one mass channel retailer believed in the power of the Hallmark brand so much that it refused to switch to one of our competitor's brands in return for $100 million in sales term.)

Some salient information to help you understand the strategy: Hallmark's primary competitors had significantly reduced their costs by reducing their internal marketing research and creative development capabilities. They leveraged Hallmark's resources in this area (Hallmark employed over 700 artists and writers and 70 marketing researchers at the time) through well-constructed systems of emulation. All mass channel (non-Hallmark) brands had raised prices faster than inflation for a number of years, due to the apparent lack of price sensitivity for greeting cards (until the major price thresholds of $2 and $3 were surpassed) and the pressures applied by retailers for ever increasing year-over-year sales productivity gains. In fact, while over 65 per cent of Hallmark branded cards were priced under $2, 89 per cent of competitive mass channel brand's cards were priced over $2.

Competitors used their lower cost structures and higher product prices to fund ever accelerating sales terms. They placed their bets on rich sales terms buying distribution with major mass retail chains, which was in fact what was occurring. (Greeting card manufacturers negotiate multiple year contracts with mass channel retailers in which they receive most or all of a retailer's business for a specified minimum floor space and number of stores for a specified period of time. In return for that privilege, they pay substantial sales terms.)

Despite the fact that mass channel share was increasingly based upon which brand could write the biggest check, Hallmark was betting on the fact that it could change the rules by introducing the power of brand equity to the mass channel. After all, Hallmark is the only greeting card brand widely recognized by consumers. (It had unaided top-of-mind awareness of nearly 90 per cent and Shoebox – a tiny little division of Hallmark – was the only other greeting card brand with significant top-of-mind awareness or preference.) Hallmark's product also was superior (validated by rigorous market research) and Hallmark products were priced lower than any other major competitive brand.

Compare this with what I was fond of saying about Hallmark's primary competitors to rally the internal troops around this strategy, 'Would you rather be our competitors with overpriced, no name, inferior products?' If Hallmark could align consumer price perceptions with reality (Hallmark was perceived to be 'expensive' by consumers), I knew we could win with this strategy. Our competitors (both public companies, one of which consistently touted quarter over quarter revenue and profit increases) were locked into multiple-year retailer contracts with very high sales terms. They would not be able to reduce prices without severely affecting their revenues, profits and stock prices.

I could devote at least several posts to the nuances of this strategy, but suffice it to say, that Hallmark's static 39 per cent greeting card market share increased to 42 per cent with increased profitability in the first two years after we implemented this strategy. Since then, Hallmark's share has steadily grown to 55 per cent in a few short years. Unleashing the power of the Hallmark brand in the mass channel resulted in substantial market share and profitability gains for Hallmark without taking away from the success of the card shop and chain drug store channels. (Hallmark card shops achieved consistent month over month sales increases for at least three years during this period, validating my held belief that the added marketplace exposure to the Hallmark brand would have a positive impact on all channels carrying Hallmark products.)

Questions:

1 Discuss whether the addition of the brand to the mass channels has had any impact on Hallmark's existing GC network of stores.

2 What is the advantage of one retail format over another? Is it value (price, value-added services), convenience (hours, location, breadth of offering), the shopping experience itself (entertainment), its self-expressive nature (brand as a badge), or something else?

END OF CHAPTER CASE STUDY: KELLOGG'S

Source: The Times 100

Building a brand in order to sustain its life cycle

Introduction

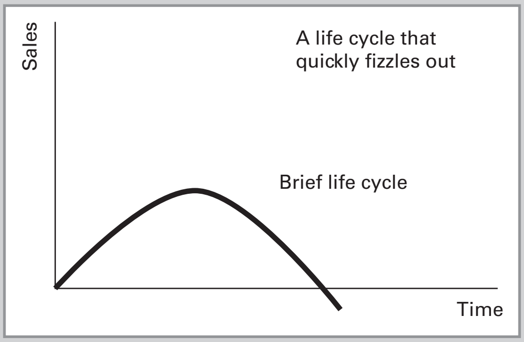
Kellogg's All-Bran has a long and distinguished history. Like many other famous products, however, it is important from time to time to re-energize its life cycle.

While All-Bran continues to be a powerful *brand*, a number of other high fibre *brands* made by Kellogg's have not had the promotional support or sales of the All-Bran brand. Kellogg's has therefore sought to support these other fibre products by associating them with the *masterbrand* All-Bran.

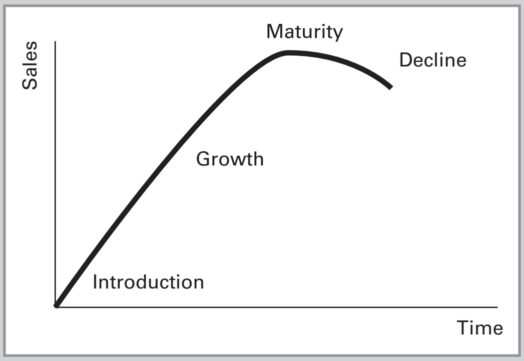
Kellogg's has looked to raise *consumer* interest by creating a family of fibre-based cereal brands focused around the All-Bran banner in order to create a powerbrand structure. These bran products have now been marketed as a family. This has added extra strength to each separate product. The decision to create the powerbrand was a *strategic* change, made at a high level. It involved managers at Kellogg's planning for the long *term* future. It also needed heavy resource commitments, e.g. to finance and market the initiative.

The *product life cycle* is the period over which it appeals to *customers*. The cycle can be illustrated in a series of stages showing how consumer interest, and hence sales, has altered over time.

For example, a company like Kellogg's is continually developing new product lines, which it then market tests. For many of these products, test *marketing* will indicate that the product might be popular for a short while and then interest would quickly fizzle out. Such product ideas are screened out (eliminated), because their product life cycle would look like the following:

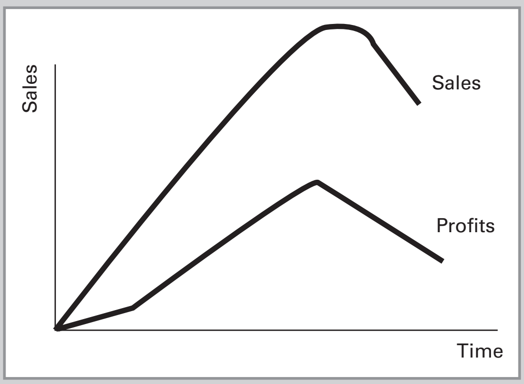


The typical life cycle of a product can be illustrated by a curve that rises steeply, as interest in the product increases. The sales performance rises from zero (when the product is introduced to the market) before rising steadily.



Initially the product will grow and flourish. However, as new competitors come into the market and as excitement falls about the product, then the product enters a new life cycle stage termed *maturity*. If the product is not handled carefully at this stage we may then see saturation of the market and the onset of a decline in interest.

At each stage in the life cycle there is a close relationship between sales and profits so that, as organizations or brands go into decline, their profitability decreases.



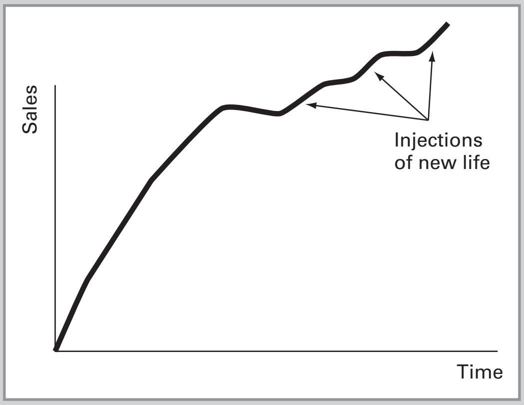
A product's life cycle may last for a few months or for more than a century. It all depends on how good the product is originally, how easy it is for competitors to emerge and how good a firm is at keeping its own product relevant and attractive to *consumers*.

To prolong the life cycle of a brand or product an organization needs to use skilful marketing techniques to inject new life into the product.

Preparing to make a strategic change

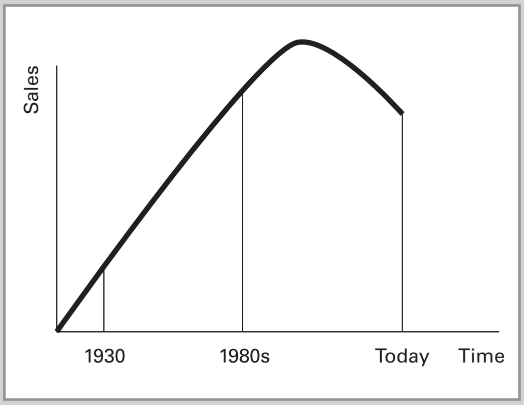
Before committing *resources* to creating the family of All-Bran *brands*, Kellogg's needed to conduct research to discover whether a change was worth making and the nature of these changes. This involved carrying out a SWOT analysis to identify:

- **S**trengths of the All-Bran brand.
- **W**eaknesses.
- **O**pportunities existing in the market.
- **T**hreats – e.g. from competitors.



All-Bran's product life cycle

Kellogg's created All-Bran as a product and the fibre sector of the cereal *market* in the 1930s. From then onwards the product experienced steady growth with the *company* injecting regular promotional spends to support product *development*. The most spectacular growth was in the 1980s with widespread publicity for the 'F' Plan Diet from nutritionists and health experts. This diet had an impact similar to that of the Atkins Diet in recent years. Following this, the Kellogg's 'bran' range has been moving into a more mature stage:



Because the product is mature, Kellogg's has looked to re-*brand* a range of fibre cereals in order to inject renewed growth and interest. The company has run a £3 million campaign that urges *consumers* to re-appraise these products. Large *investment* was needed to support the *strategy* and to evaluate the consumer response.

Identifying the benefits

Kellogg's needed to identify the *benefits* that would result from any changes it made. An important advantage related to managing the product range. Kellogg's identified which of its existing fibre based products offered the best present and future prospects and decided to concentrate on those. This simplification made it easier to manage the *product portfolio*. Managers could concentrate on the common elements of the chosen range and focus *marketing* activity on them. This action produced management and *marketing economies of scale*, rather than production economies – the complexity of manufacturing individual products has not been reduced. The smaller *brands* were pulled together into the All-Bran range.

Kellogg's *market research* showed that, in choosing a cereal product, *consumers* place high priority on taste. Although they want a healthier cereal, it still must taste good. So Kellogg's decided to develop new 'tastier' products under the single All-Bran umbrella, such as Bran Flakes Yoghurty.

Pulling a range of fibre products together under a single brand also made it easier to communicate with the target audiences through a shared communication plan.

Research and promotion

Research

Before proceeding with the change, Kellogg's carried out some detailed *market* research with *consumers* to discover their thoughts and feelings.

There are two main approaches to market research:

1. qualitative
2. quantitative.

Qualitative research involves working in detail with a relatively small number of consumers, e.g. observing and listening to them talking in small groups in which they discuss the *brand*, products, packaging, advertising ideas, etc. This qualitative research helped to assess consumers' perceptions, e.g. by giving them pictures of possible new packaging and letting them give their views on the *benefits* of the product and reasons why they use fibre-based cereals. The qualitative research helped Kellogg's to develop the concept of a family of fibre *brands*. The advertising and promotional materials with which the consumer groups worked were very similar to the end promotions that Kellogg's wished to communicate.

Once the *qualitative market research* was complete it was possible to test the concept through *quantitative research*. This involved using questionnaire and survey approaches with a much larger sample of *targeted* consumers to estimate the impact on sales if these changes were put into market.

Promotion

The market research revealed several matters that Kellogg's needed to address when alerting the public to changes in the brand family.

1. Some consumers might find the act of placing a range of separate products under the All-Bran brand confusing. The *solution* was to ensure that packs clearly display both the power brand name (All-Bran) and also the product name (e.g. Bran Flakes). To maintain continuity, it was vital to use consistent type fonts and colours from the old packaging, as well as introducing the flash 'new name, same great taste'. To support consumer understanding of the new range, the back of each pack featured a range sell detailing the different attributes of each of the products in the range. This allowed consumers to make purchase decisions on the basis of taste and the amount of fibre they require in their diet.
2. Research showed that consumers see cereals as a 'natural product'. This is a strong selling point. It makes it vital to feature the ingredients on the packaging. This is because the All-Bran range can be seen as part of a daily healthy diet. For example, the latest addition to the All-Bran range, the delicious Bran Flakes Yoghurty, *claims* to promote users' inner health by providing 17 per cent of daily fibre needs.
3. To give the campaign maximum impact, Kellogg's carefully coordinated television and radio advertising, PR and in-store promotions. These encouraged consumers to try out and reappraise the revamped products. For example, in September 2004, Kellogg's introduced the All-Bran 'Feel Great in a Fortnight' Challenge. This campaign was designed to make the brands benefit more relevant to consumers. Adopting the 'feel great' message moved the brand away from the outdated 'keeps you regular' message and into the feel good territory of better inner health. This promotion featured on 8 million packs and on the All-Bran website. It used William Shatner, best remembered from *Star Trek's* Starship Enterprise! The challenge invited consumers to eat one bowl of any of the cereals in the All-Bran range for two weeks

and see if they could feel the benefit. It focused on the fact that high-fibre diets may help people to feel lighter and more energetic as well as aiding the digestive system.

Conclusion

If a business wants to make a product's total sales grow, it must carefully consider how best to extend its life cycle. By creating the powerbrand 'All-Bran' and providing the right sort of well researched promotional support, Kellogg's has been able to inject renewed vigour into a family of related products. Through appropriate promotional activities and more relevant messages, Kellogg's has re-awakened *consumers*' interest in products that can play an important part in developing a healthy diet in a health-conscious world. Regular campaigns of promotional activity are helpful in enabling all organizations to sustain their own life cycle and those of their *brands* and products. It is early days in evaluating the success of the *marketing* activity supporting All-Bran but the signs are good.

Questions:

1. Why did Kellogg's engage in marketing research before deciding how to inject new growth into Special K?
2. Special K Red Berries is a variant of Special K; why was it important to check that the two products were not competing in a major way?
3. Why was it important to create marketing plans for Special K that fitted with production plans?
4. How did the development of Special K Peach and Apricot extend the brand still further?
5. What was the significance of the Special K bar in injecting further dynamism to the product life cycle?
6. Did the development of variants – Special K Red Berries, Special K Peach and Apricot, and Special K bars – destroy the market for the original Special K product in the UK?
7. How has the extension of the Special K brand been a global success story?
8. Is it possible to continually extend a brand to increase the life cycle of a product?

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