Branding

From Apple to Xbox

Senior examiner **Gemma Thompson** looks at how branding is key to the marketing mix

Have you ever wondered why nine out of every ten people in the UK use Google to search the web? It is because they trust the brand. Branding is a marketing term associated with the promotional part of the marketing mix. You might think that it forms a small part of marketing theory. However, branding decisions have far-reaching implications for any large or small business, and inform not only the firm's promotional approach but also the activities of the finance, operations management and human resources departments.

Choices about brand position will determine the style of advertising, unique selling point, packaging, merchandising, costs per unit, type of manufacture and quality of staff training. Poor branding decisions may see a product fail to succeed in the market. As Matt Haig describes in his book *Brand Failures*: 'companies live or die on the strength of their brand.' Even Coca-Cola was thwarted by the strength of its existing brand when it tried to re-brand its product as New Coke in 1985.

What is branding?

The modern definition of branding evolved over the last 130 years through firms like Heinz, Coca-Cola and Levi's trying to give their products a brand identity so they would stand out from other mass-produced goods. Today branding is 'a name, term, sign, symbol or design or combination of these that identifies the maker or seller of a product or service' (*Marketing: An Introduction*).

Branding means choosing a name, logo or slogan to represent a product. A company can then undertake other promotional activities to make these characteristics recognisable to potential consumers. Once buyers are better able to quickly identify products in the marketplace and know that they are getting consistently high-quality goods, the brand is successful. As an example of how branding works, look at Box 1 and see how many famous car brands you can identify from just their slogans.

Why is branding useful?

As a name or symbol a brand won't tell you a great deal about a product, but a brand still persuades you to buy. It is a method of product differentiation to encourage customers to see a product as being superior to all others. The advantage of a strong brand is that it gains loyal customers who are helped by clear product identification. For instance, in a supermarket the customer instantly recognises the product and the purchase is more efficient, which is good for both the customer and producer.

Loyal customers are likely to be less sensitive to price increases, as they refuse to buy rival products even if they are significantly cheaper. This reduces price elasticity and adds value, so a firm can charge high prices and achieve higher profit margins. Retailers and wholesalers are more eager to stock the product to benefit from strong sales, giving the producer distribution advantages. Suppliers value the firm's good reputation and may be more

HEINZ

Box 1 Famous slogans for car brands

(1) Vorsprung durch technik
(2) The car in front is a...
(3) Feel the difference
(4) Surprisingly ordinary prices
(5) Shift the way you move
(6) The drive of your life
(7) Unleash a...
(8) It's a ______. Honest
(9) Auto emocion
(10)...For life

Answers: (1) Audi (2) Toyota (3) Ford (4) Volkswagen (5) Nissan (6) Peugeot (7) Jaguar (8) Skoda (9) Seat (10) Volvo

Box 2 Jaguar saddles

Jaguar Equestrian is a medium-sized firm based in Walsall that produces saddles for horse riding. It is part of a firm called Vale Brothers that uses the Jaguar car brand name under licence. Jaguar cars have a high-quality, bespoke image, which is exactly the image Vale Brothers wishes to assume for its saddles.

Procter & Gamble and Unilever own most of the popular washing powder brands

willing to offer preferable payment terms and discounts.

Types of branding

Firms can brand in a variety of ways. To begin with they may use individual brands. For example, the name Colman's is associated with English mustard or Weetabix with a brand of wheat-biscuit breakfast cereal. In these cases a single product is recognised on its own.

Sometimes a company may have a collection of individual brands, which you can study as part of product portfolio analysis. For example, Unilever owns well-known washing powders Persil and Surf, which consumers may think are competitors. Procter & Gamble own the washing-powder brands Ace, Ariel, Bold, Daz and Tide. The laundry detergent market therefore appears to have a selection of individual brands and be highly competitive. In fact two firms have multiple brands and dominate the market in a duopoly.

This strategy has many advantages. Firms are able to offer goods to suit a variety of target markets and are able to spread their risk. In the case of News International's newspaper brands, the phone hacking scandal destroyed the value of the *News of the World*, leading to its closure, but the *Sun*, *The Times* and the *Sunday Times* remain popular. However, multiple branding could cause products to be scattered too thinly, especially if there are reduced economies of scale and no highly successful individual brands.

With **family branding**, a brand name is used to market a variety of products. For example, Heinz produces baked beans, tomato ketchup and soup. The video game console market is dominated by products from Nintendo, Microsoft and Sony. A family brand name offers a halo effect that means consumers will be more likely to try new products as they already trust the brand. This results in new products being easier to launch, e.g. Huggies nappies used its brand name to launch baby lotions and changing pads.

Borrowed brands

But what do you do if you are a small-to-medium-sized business with no strong brand identity? The answer is to borrow someone else's. For example, a beautician could rent space in an established hairdresser's salon to benefit from his or her brand and have access to a pool of customers and the space to work. This is a type of co-branding on a small scale.

For medium-to-large-sized companies co-branding is when two brands from two different companies are used to brand a new separate product. Designers like Stella McCartney and Laurence Llewellyn-Bowen lend their brand names to new product ranges from Adidas and David Wilson homes, and textile manufacturer Gore-Tex allows clothing manufacturers to display its name.

Co-branding can involve complex legal issues and requires a certain level of trust between the firms, but through licensing a brand name both companies generate additional revenue. This is a fast-growing area of branding that contradicts the view that businesses are always competitive.

Branding need not only apply to a product or service. Places can have brands, which is called **locational branding**. The Jaguar Equestrian saddle firm is based in Walsall (Box 2), which has a world-renowned reputation for leather goods and saddles in particular. Walsall Football Club are nicknamed 'The Saddlers' and there are over 50 saddlers in the area. Walsall has its own quality mark and swing tickets for equestrian leather goods via the Walsall Equestrian Society. This gives consumers the confidence that they are buying a high-quality product from an area with specific labour skills and helps to protect the interests of the saddlers themselves, which acts as an external economy of scale.

A disadvantage of identifying a product with a location occurs if the firm wants to relocate production. HP Sauce, named after the Houses of Parliament, exploited its status as a British brand. In 2005 Heinz took over the parent company and moved production from Birmingham to the Netherlands, where they felt the labour market was more technically skilled. This resulted in a boycott of HP Sauce by consumers and a fall in the significance of the brand.

When is a brand not a brand?

With the intense use of branding it is not surprising to find a backlash. Muji is a Japanese firm selling household goods and clothing, with a worldwide reputation for having no brand. Muji is an abbreviation of a Japanese term that means 'no-brand quality goods'. By minimising the use of packaging and labels and reducing its promotional costs, Muji says it is able to offer a niche retail experience to anti-branding consumers. In other words, if you don't like brands, buy Muji.

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