Designing and Implementing Brand Architecture Strategies

11

Learning Objectives

After reading this chapter, you should be able to

1. Define the key components of brand architecture.
2. Outline the guidelines for developing a good brand portfolio.
3. Assemble a basic brand hierarchy for a brand.
4. Describe how a corporate brand is different from a product brand.
5. Explain the rationale behind cause marketing and green marketing.

Honda adopted an alphanumeric-based brand architecture for its Acura brand—including the Acura TL shown here—to better compete in the luxury automobile market.

Source: American Honda Motor Co., Inc.

Preview

Parts II, III, and IV of this book examined strategies for building and measuring brand equity. Part V takes a broader perspective and considers how to sustain, nurture, and grow brand equity under various situations and circumstances.

The successful launch of new products and services is of paramount importance to firms' long-term financial prosperity. Firms must maximize brand equity across all the different brands and products and services they offer. Their brand architecture strategy determines which brand elements they apply across all their new and existing products and services and is the means by which they help consumers understand those products and services and organize them in their minds.

Many firms employ complex brand architecture strategies. For example, brand names may consist of multiple brand-name elements (Toyota Camry XLE) and may be applied across a range of products (Toyota cars and trucks). What is the best way to characterize a firm's brand architecture strategy? What guidelines exist for choosing the right combinations of brand names and other brand elements to best manage brand equity across the entire range of a firm's products?

We begin by outlining a three-step process to develop an effective brand architecture strategy. We next describe two important strategic tools—brand portfolios and brand hierarchies—which, by defining various relationships among brands and products, help characterize and formulate brand architecture strategies. We then consider corporate branding strategies. After outlining corporate image dimensions, we examine three specific issues in managing a corporate brand: corporate social responsibility, corporate image campaigns, and corporate name changes. Brand Focus 11.0 devotes special attention to the topics of cause marketing and green marketing.

DEVELOPING A BRAND ARCHITECTURE STRATEGY

The firm's ***brand architecture strategy*** helps marketers determine which products and services to introduce, and which brand names, logos, symbols, and so forth to apply to new and existing products. As we describe below, it defines both the brand's breadth or boundaries and its depth or complexity. Which different products or services should share the same brand name? How many variations of that brand name should we employ? The role of brand architecture is twofold:

- *To clarify brand awareness:* Improve consumer understanding and communicate similarity and differences between individual products and services.
- *To improve brand image:* Maximize transfer of equity between the brand and individual products and services to improve trial and repeat purchase.

Developing a brand architecture strategy requires three key steps: (1) defining the potential of a brand in terms of its "market footprint," (2) identifying the product and service extensions that will allow the brand to achieve that potential, and (3) specifying the brand elements and positioning associated with the specific products and services for the brand. Although we introduce all three topics here, this chapter concentrates on insights and guidelines into the first and third. Chapter 12 exclusively focuses on the second topic and how to launch successful brand extensions. The Science of Branding 11-1 describes a useful tool to help depict brand architecture strategies for a firm.

Step 1: Defining Brand Potential

The first step in developing an architecture strategy is to define the brand potential by considering three important characteristics: (1) the brand vision, (2) the brand boundaries, and (3) the brand positioning.

Articulating the Brand Vision. *Brand vision* is management's view of the brand's long-term potential. It is influenced by how well the firm is able to recognize the current and possible future brand equity. Many brands have latent brand equity that is never realized because the firm is unable or unwilling to consider all that the brand could and should become.

THE SCIENCE OF BRANDING 11-1

The Brand–Product Matrix

To characterize the brand architecture strategy of a firm, one useful tool is the ***brand–product matrix***, a graphical representation of all the brands and products sold by the firm. The matrix (or grid) has the firm's brands as rows and the corresponding products as columns (see Figure 11-1).

- The rows of the matrix represent ***brand–product relationships***. They capture the firm's brand-extension strategy in terms of the number and nature of products sold under its different brands. A ***brand line*** consists of all products—original as well as line and category extensions—sold under a particular brand. Thus, a brand line is one row of the matrix. We want to judge a potential new product extension for a brand on how effectively it leverages existing brand equity from the parent brand to the new product, as well as how effectively the extension, in turn, contributes to the equity of the parent brand.
- The columns of the matrix represent ***product–brand relationships***. They capture the brand portfolio strategy in terms of the number and nature of brands to be marketed in each category. The ***brand portfolio*** is the set of all brands and brand lines that a particular firm offers for sale to buyers in a particular category. Thus, a brand portfolio is one column of the matrix. Marketers design and market different brands to appeal to different market segments.

We can characterize a firm's brand architecture strategy according to its *breadth* (in terms of brand–product relationships and brand extension strategy) and its *depth* (in terms of product–brand relationships and the brand portfolio or mix). For example, a brand architecture strategy is both deep and broad if the firm has a large number of brands, many of which have been extended into various product categories.

Several other terms are useful to understanding how to characterize the brand architecture strategies of a firm.

- A ***product line*** is a group of products within a product category that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same type of outlets, or fall within given price ranges. A product line may include different brands, or a single family brand or individual brand that has been line extended. Campbell's makes a variety of different soup products, varying in flavor, type, sizes, etc.

Brands	Products: 1	2	. . .	N
A				
B				
⋮				
M				

FIGURE 11-1 Brand–Product Matrix

- A ***product mix*** (or product assortment) is the set of all product lines and items that a particular seller makes available to buyers. Thus, product lines represent different sets of columns in the brand–product matrix that, in total, make up the product mix. In addition to soup, Campbell's sells tomato sauces, salsa, vegetable juices, and cookies and crackers.
- A ***brand mix*** (or brand assortment) is the set of all brand lines that a particular seller makes available to buyers. Campbell's brand lines include Prego, Pace, V8, and Pepperidge Farm.

A firm like Campbell's has to make strategic decisions about how many different product lines it should carry (the breadth of the product mix), as well as how many variants to offer in each product line (the depth of the product mix).

As another example, consider Nestlé—the biggest producer of food in the world, with over $100 billion in revenue. Understanding the brand–product matrix and developing the right brand architecture strategy for them is key. Over 1.2 billion people buy Nestlé's products daily, and 28 of its different brands are approaching or exceed $1 billion in sales. Its global approach of blending local and global brands and diversifying products paid off in the recent recession when it actually gained market share against its competitors.

Sources: Phillip Kotler and Kevin Lane Keller, *Marketing Management*, 14th ed. (Upper Saddle River, NJ: Prentice Hall, 2012); Beth Kowitt, "Nestlé," *Fortune*, 5 July 2010.

On the other hand, many brands have transcended their initial market boundaries to become much more. Waste Management is in the process of transforming itself from a "trash company" to a "one-stop, green, environmental services shop" that does a lot more than just collect and dispose of garbage. Its new tag line, "Think Green," signals the direction it is taking to find ways to extract value from the waste stream through materials-recovery facilities (MRFs) that enable "single-stream recycling."[1] Google is clearly in the process of being much more than a search engine as it offers more and more services. Another brand that has already transcended its traditional boundaries is Crayola.

Waste Management is transforming itself from a "trash company" to a "one-stop, green, environmental services shop."

Source: Waste Management

CRAYOLA

Crayola, known for its crayons, first sought to expand its brand meaning by making some fairly direct brand extensions into other drawing and coloring implements, such as markers, pencils, paints, pens, brushes, and chalk. The company further expanded beyond coloring and drawing into arts and crafts, with extensions such as Crayola Chalk, Crayola Clay, Crayola Dough, Crayola Glitter Glue, and Crayola Scissors. These extensions established a new brand meaning for Crayola as "colorful arts and crafts for kids." Crayola says its brand essence is to find the "what if" in each child:

> "We believe in unleashing, nurturing and celebrating the colorful originality in every child. We give kids an invitation that ignites, colors that inspire, and tools that transform original thoughts into visible form. We give colorful wings to the invisible things that grow in the hearts of children. Because we believe that creatively alive kids grow into inspired adults."

Subsequent category extensions allowed kids to use their imagination to create colorful jewelry, glow-in-the-dark animation, and comic books.[2]

Without a clear understanding of its current equity, however, it is difficult to understand what the brand could be built on. A good brand vision has a foot in both the present and the future. Brand vision obviously needs to be aspirational, so the brand has room to grow and improve in the future, yet it cannot be unobtainable. The trick is to strike the right balance between what the brand is and what it could become, and to identify the right steps to get it there.

Fundamentally, brand vision relates to the "higher-order purpose" of the brand, based on keen understanding of consumer aspirations and brand truths. It transcends the brand's physical product category descriptions and boundaries. P&G's legendary former CMO Jim Stengel maintains that successful brands have clear "ideals"—such as "eliciting joy, enabling connection, inspiring exploration, evoking pride or impacting society"—and a strong purpose of building customer loyalty and driving revenue growth.[3] The Science of Branding 11-2 describes one perspective on how firms can maximize a brand's long-term value according to their vision of its potential.

Defining the Brand Boundaries. Some of the world's strongest brands, such as GE, Virgin, and Apple, have been stretched across multiple categories. Defining brand boundaries thus means—based on the brand vision and positioning—identifying the products or services the brand should offer, the benefits it should supply, and the needs it should satisfy.

Although many product categories may seem to be good candidates for a brand extension, as we will develop in greater detail in Chapter 12, marketers would be wise to heed the "Spandex Rule" espoused by Scott Bedbury, former VP-Advertising for Nike and VP-Marketing for Starbucks: "Just because you can . . . doesn't mean you should!" Marketers must evaluate extending their brand carefully and launch new products selectively.

A "broad" brand is one with an abstract positioning that is able to support a higher-order promise relevant in multiple product settings. It often has a transferable point-of-difference, thanks to a widely relevant benefit supported by multiple reasons-to-believe or supporting attributes. For example, Delta Faucet Company has taken its core brand associations of "stylish" and "innovative" and successfully expanded the brand from faucets to a variety of kitchen and bathroom products and accessories.

Nevertheless, all brands have boundaries. It would be very difficult for Delta to introduce a car, tennis racquet, or lawnmower. Japanese carmakers Honda, Nissan, and Toyota chose to introduce their luxury brands in North America under new brand names, Acura, Infiniti, and Lexus, respectively. Even considering its own growth, Nike chose to purchase Cole Haan to sell into the dressier, more formal shoe market. Some brands have struggled to stretch into new markets, as did VW Phaeton.

VW PHAETON

Auto industry insiders were surprised when VW chose to introduce the $85,000 VW Phaeton luxury sedan in 2002. Named after the son of the Greek god Helios, the vehicle racked up more than $1.3 billion in development costs. Although VW also owned Audi, management wanted to make the VW brand more upscale to better compete with BMW and Mercedes. But after Phaeton failed to meet sales goals in the United States—selling only 2,253 cars from 2004 to 2006—the brand was pulled from the market in 2006. After continuing to experience annual losses in the highly competitive U.S. market, VW announced in 2011 that it would relaunch a newly redesigned Phaeton at a later date, with a higher-quality interior, renewed front and rear exterior, and new engine choices. VW sees a strong presence in the U.S. luxury car segment as vital to its goals of tripling its share in the United States and surpassing Toyota worldwide in sales and profitability.[4]

VW has struggled to successfully extend its brand upward in the U.S. luxury car market with its Phaeton sub-brand.

Source: Laurent Gillieron/EPA/Newscom

To improve market coverage, companies target different segments with multiple brands in a portfolio. They have to be careful to not over-brand, however, or attempt to support too many brands. The trend among many top marketing companies in recent years has been to focus on fewer, stronger brands. Each should be clearly differentiated and appeal to a sizable enough market segment to justify its marketing and production costs.

THE SCIENCE OF BRANDING 11-2

Capitalizing on Brand Potential

All you can ask of a brand is that it reaches its potential. The brand's long-term brand value depends on how well a firm understands and recognizes its potential and capitalizes on it in the marketplace. Let's consider all the different aspects of how long-term brand value gets created. See Figure 11-2 for a schematic summary.

Processes Affecting Long-Term Brand Value

Long-term brand value depends on two basic processes: brand vision (the ability to see the brand's inherent potential) and brand actualization (the ability to actually capitalize on the brand's potential to derive maximum revenue).

Brand Vision. Brand vision requires defining the potential of a brand. ***Inherent brand potential*** is the value we could extract from a brand via optimally designed marketing strategies, programs, and activities. In other words, it reflects what brand value *could* become if, for example, we introduce different products, enter new markets, and appeal to different customers in the future. There are many different ways to expand a brand across products and markets.

Brand potential is in effect the "option value" of a brand if we recognize and capitalize on its assets. For publicly traded companies, it manifests itself in the premium a stock commands over the value explainable from cash flows in its current businesses. Viewed this way, acquiring a brand makes sense and will bring a positive return only if the acquiring firm has a better vision or ability to execute than the prior owners.

Brand Actualization. While brand vision means understanding the brand's inherent potential, ***brand actualization*** means achieving that potential. Not surprisingly, due to differences in firm resources and management skill, firms vary in their ability to formulate a vision of what brand potential is and then capitalize on it to activate the brand's inherent brand potential.

Components of Long-Term Brand Value

Brand actualization (or potential actualization) depends on how successfully a firm can translate brand potential into the two key components of long-term brand value: brand persistence and brand growth.

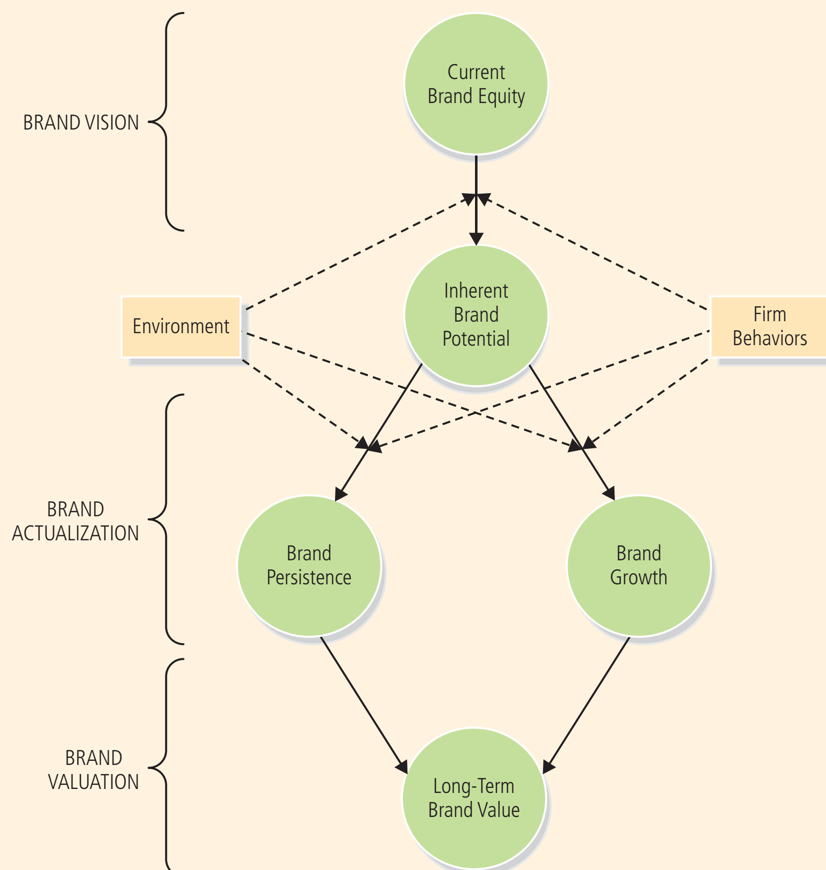

FIGURE 11-2 Achieving Long-Term Brand Value

Brand Persistence. ***Brand persistence*** reflects the extent to which the current customer franchise and their spending levels can be sustained over time. Without continued investments, brands can decline in value for myriad reasons. Even traditionally well-funded, high-equity brands such as Kodak, Levi-Strauss, and Borders can be vulnerable to a change in fortunes or even bankruptcy.

The endurance of a brand's position and equity depends primarily on three factors:

1. The strength, favorableness, and uniqueness of key brand associations;
2. The likelihood these characteristics will continue into the future; and
3. The firm's skill in developing and implementing marketing programs and activities that help preserve them over time.

Some brand associations are more enduring than others. For example, quality can be a relatively timeless attribute, while many imagery associations like trendiness and youthfulness often fade badly over time. Perhaps the biggest challenge to brand persistence, however, is the ability of the brand to sustain differentiation. Competitive responses, marketplace changes, and other external factors all conspire to make it difficult for a brand to be as unique as it once was.

Brand Growth. The requirements to grow thus implicitly include the ability of a brand's sales to persist and resist decay. ***Brand growth*** reflects the extent to which current customers actually increase their spending and new customers are attracted to the brand, with either existing or new products. Chapters 12 and 14 discuss these issues in detail.

Factors Influencing Brand Persistence and Growth

Finally, brand persistence and growth—and thus long-term brand value—depend on the risks evident in the marketing environment, the brand's vulnerability to those risks, and what the firm does to handle them.

Risks in the Marketing Environment. A number of factors in the environment work for or against the creation and realization of inherent brand potential. Broadly, the marketing environment consists of seven components: competitive, demographic, economic, physical, technological, political-legal, and social-cultural. Changes or shifts in the nature of competition; age or cultural make-up of a market; the income and tax base; the supply of natural resources; government policies and regulations; and social trends, to name just a few, can all profoundly change the fortunes of a brand and test the skills of marketers.

Long-term brand value is more predictable. It rises when firms are less vulnerable to competition and other environmental changes and are therefore better able to capitalize on their inherent brand potential. Greater consumer loyalty and high switching costs improve the odds of retention in the face of difficulties or challenges for a brand. Barriers to entry can also provide insurance against competitive actions.

Brand persistence and growth also depend on how effectively competitors operate. A key question is how equipped a company is to anticipate, withstand, and capitalize on changes and shifts that occur in the marketplace. Firms such as IBM, Microsoft, and Corning have evolved considerably through the years, building on the brand value they have accumulated, although not always smoothly or easily.

Firm Behaviors. Brand visioning and potential actualization will depend on the motivation, ability, and opportunity of a firm to recognize and maximize brand potential in the face of possible environmental changes. First, the firm must be motivated and committed to take advantage of the brand and its potential. Many brands, even after acquisition, can become neglected or forgotten, especially if the firm has an expansive set of brands.

The ability to maximize brand potential will depend in large part on the skills of the firm to recognize and define the brand's potential to begin with. If that assessment is done properly, then the question is whether the firm has—or has access to—the resources, skills, and other assets needed to cash in on the identified potential.

Finally, a firm must have the opportunity to formulate and activate the brand potential. Diverting resources, skills, and other assets to other areas makes it difficult or even impossible to achieve a brand's potential. Many best-laid plans are abandoned given the twists and turns in marketplace performance and corporate decision-making, and resulting changes in budget allocation.

A Key Implication

We've seen that achieving the brand's long-term value is a function of recognizing and realizing its potential through brand vision and brand actualization activities. One important implication is that a brand has different growth prospects depending on which firm owns it. Given the difficulty of cutting costs, the only real justification for M&A activity is a bet that the acquiring company is smarter, more knowledgeable, more creative—or has access to resources at a lower cost—than the current brand owners. Given that current owners of a brand are generally more likely to be knowledgeable about the brand than those who intend to acquire it, however, many acquirers may overestimate growth potential and overpay for the brand.

Sources: Kevin Lane Keller and Don Lehmann, "Assessing Brand Potential," in special issue, "Brand Value and Valuation," of *Journal of Brand Management* 17, eds. Randall Raggio and Robert P. Leone (September 2009): 6–17; Kevin Lane Keller and David A. Aaker, "The Effects of Sequential Introduction of Brand Extensions," *Journal of Marketing Research* 29 (February 1992): 35–50; Randle Raggio and Robert P. Leone, "The Theoretical Separation of Brand Equity and Brand Value: Managerial Implications for Strategic Planning," *Journal of Brand Management* 14 (May 2007): 380–395; S. Cem Bahadir, Sundar G. Bharadwaj, and Rajendra K. Srivastava, "Financial Value of Brands in Mergers and Acquisitions: Is Value in the Eye of the Beholder?," *Journal of Marketing* 72 (November 2008): 49–64; Yana Damoiseau, William C. Black, and Randle D. Raggio, "Brand Creation vs. Acquisition in Portfolio Expansion Strategy," *Journal of Product & Brand Management* 20, no. 4 (2011): 268–281.

Crafting the Brand Positioning. Brand positioning puts some specificity into a brand vision. Chapter 2 reviewed brand positioning considerations in detail; the four key ingredients are: (1) competitive frame of reference, (2) points-of-difference, (3) points-of-parity, and (4) brand mantra. The brand mantra in particular can be very useful in establishing product boundaries or brand "guardrails." It should offer rational and emotional benefits and be sufficiently robust to permit growth, relevant enough to drive consumer and retailer interest, and differentiated enough to sustain longevity.

Step 2: Identifying Brand Extension Opportunities

Determining the brand vision, boundaries, and positioning in Step 1 helps define the brand potential and provides a clear sense of direction for the brand. Step 2 is to identify new products and services to achieve that potential through a well-designed and implemented brand extension strategy.

A brand extension is a new product introduced under an existing brand name. We differentiate between ***line extensions***, new product introductions within existing categories (Tide Total Care laundry detergent), and ***category extensions***, new product introductions outside existing categories (Tide Dry Cleaners retail outlets).

It is important to carefully plan the optimal sequence of brand extensions to achieve brand potential. The key is to understand equity implications of each extension in terms of points-of-parity and points-of-difference. By adhering to the brand promise and growing the brand carefully through "little steps," marketers can ensure that brands cover a lot of ground.

For example, through a well-planned and well-executed series of new product introductions in the form of category extensions over a 25-year period, Nike evolved from a company selling running, tennis, and basketball shoes to mostly males between the ages of 12 and 29 in North America in the mid-1980s, to a company now selling athletic shoes, clothing, and equipment across a range of sports to men and women of all ages in virtually all countries.

Launching a brand extension is harder than it might seem. Given that the vast majority of new products are extensions and the vast majority of new products fail, the clear implication is that too many brand extensions fail. An increasingly competitive marketplace will be even more unforgiving to poorly positioned and marketed extensions in the years to come. To increase the likelihood of success, marketers must be rigorous and disciplined in their analysis and development of brand extensions. Chapter 12 provides detailed guidelines for successful brand extension strategies.

Step 3: Branding New Products and Services

The final step in developing the brand architecture is to decide on the specific brand elements to use for any particular new product or service associated with the brand. New products and services must be branded in a way to maximize the brand's overall clarity and understanding to consumers and customers. What names, looks, and other branding elements are to be applied to the new and existing products for any one brand?

One way we can distinguish brand architecture strategies is by looking at whether a firm is employing an umbrella corporate or family brand for all its products, known as a "branded house," or a collection of individual brands all with different names, known as a "house of brands."

- Firms largely employing a branded house strategy include many business-to-business industrial firms, such as Siemens, Oracle, and Goldman Sachs.
- Firms largely employing a house of brands strategy include consumer product companies, such as Procter & Gamble, Unilever, and ConAgra.

The reality is that most firms adopt a strategy somewhere between these two end points, often employing various types of sub-brands. ***Sub-brands*** are an extremely popular form of brand extension in which the new product carries both the parent brand name and a new name (Apple iPad, Ford Fusion, and American Express Blue card).

A good sub-branding strategy can tap associations and attitudes about the company or family brand as a whole, while also allowing for the creation of new brand beliefs to position the extension in the new category. For example, Hershey's Kisses taps into the quality, heritage, and familiarity of the Hershey's brand but at the same time has a much more playful and fun

An ideal sub-brand, Hershey's Kisses adds a fun, playful dimension to Hershey's well-regarded brand image.

Source: ©The Hershey Company

brand image. An iconic brand, Hershey's Kisses ranked number one in the Harris Interactive EquiTrend brand equity study for 2010.[5]

Sub-brands play an important brand architecture role by signaling to consumers to expect similarities *and* differences in the new product. To realize these benefits, however, sub-branding typically requires significant investments and disciplined and consistent marketing to establish the proper brand meanings with consumers. In the absence of such financial commitments, marketers may be well advised to adopt the simplest brand hierarchy possible, such as using a branded house–type approach with the company or a family brand name with product descriptors. Marketers should employ sub-branding only when there is a distinctive, complementary benefit; otherwise, they should just use a product descriptor to designate the new product or service.

Summary

The three steps we outlined provide a careful and well-grounded approach to developing a brand architecture strategy. To successfully execute this process, marketers should use brand portfolio analysis for Step 1 and determining brand potential, and brand hierarchy analysis for Steps 2 and 3 and branding particular products and services. We describe both tools next.

BRAND PORTFOLIOS

A ***brand portfolio*** includes all brands sold by a company in a product category. We judge a brand portfolio by its ability to maximize brand equity: Any one brand in the portfolio should not harm or decrease the equity of the others. Ideally, each brand maximizes equity in combination with all other brands in the portfolio.

Why might a firm have multiple brands in the same product category? The primary reason is market coverage. Although multiple branding was originally pioneered by General Motors, Procter & Gamble is widely recognized as popularizing the practice. P&G became a proponent of multiple brands after introducing its Cheer detergent brand as an alternative to its already successful Tide detergent, resulting in higher combined product category sales.

Firms introduce multiple brands because no one brand is viewed equally favorably by all the different distinct market segments the firm would like to target. Multiple brands allow a firm to pursue different price segments, different channels of distribution, different geographic boundaries, and so forth.[6]

In designing the optimal brand portfolio, marketers must first define the relevant customer segments. How much overlap exists across segments, and how well can products be cross-sold?[7] Branding Brief 11-1 describes how Marriott has introduced different brands and sub-brands to attack different markets.

Other reasons for introducing multiple brands in a category include the following:[8]

- To increase shelf presence and retailer dependence in the store
- To attract consumers seeking variety who may otherwise switch to another brand
- To increase internal competition within the firm
- To yield economies of scale in advertising, sales, merchandising, and physical distribution

Marketers generally need to trade off market coverage and these other considerations with costs and profitability. A portfolio is too big if profits can be increased by dropping brands; it is not big enough if profits can be increased by adding brands. Brand lines with poorly differentiated brands are likely to be characterized by much cannibalization and require appropriate pruning.[9]

The basic principle in designing a brand portfolio is to *maximize market coverage* so that no potential customers are being ignored, but *minimize brand overlap* so that brands aren't competing among themselves to gain the same customer's approval. Each brand should have a distinct target market and positioning.[10]

For example, over the last 10 years or so, Procter & Gamble has sought to maximize market coverage and minimize brand overlap by pursuing organic growth from existing core brands rather than introducing a lot of new brands. The company has focused its innovation efforts on its core "billion dollar" brands—those with more than $1 billion in revenue. Numerous successful market-leading brand extensions followed, such as Crest whitening products, Pampers' training diapers, and Mr. Clean Magic Eraser products.[11]

Besides these considerations, brands can play a number of specific roles as part of a brand portfolio. Figure 11-3 summarizes some of them, which we review next.

Flankers. Certain brands act as protective flanker or "fighter" brands.[12] The purpose of flanker brands typically is to create stronger points-of-parity with competitors' brands so that more important (and more profitable) flagship brands can retain their desired positioning. In particular, as we noted in Chapter 5, many firms are introducing discount brands as flankers, to better compete with store brands and private labels and to protect their higher-priced brand companions. In Australia, Qantas launched Jetstar airlines as a discount fighter brand to compete with the recently introduced low-priced Virgin Blue airlines—which was meeting with much success—and to protect its flagship premium Qantas brand.[13]

1. To attract a particular market segment not currently being covered by other brands of the firm
2. To serve as a flanker and protect flagship brands
3. To serve as a cash cow and be milked for profits
4. To serve as a low-end entry-level product to attract new customers to the brand franchise
5. To serve as a high-end prestige product to add prestige and credibility to the entire brand portfolio
6. To increase shelf presence and retailer dependence in the store
7. To attract consumers seeking variety who may otherwise have switched to another brand
8. To increase internal competition within the firm
9. To yield economies of scale in advertising, sales, merchandising, and physical distribution

FIGURE 11-3
Possible Special Roles of Brands in the Brand Portfolio

In other cases, firms have repositioned existing brands in their portfolio to play that role. The one-time "champagne of bottled beer," Miller High Life, was relegated to a discount brand in the 1990s to protect premium-priced Miller Genuine Draft and Miller Lite. Similarly, P&G repositioned its one-time top-tier Luvs diaper brand to serve as a price fighter against private labels and store brands to protect the premium Pampers brand.

In designing fighter brands, marketers walk a fine line. Fighters must not be so attractive that they take sales away from their higher-priced comparison brands or referents. At the same time, if they are connected to other brands in the portfolio in any way (say, through a common branding strategy), they must not be designed so cheaply that they reflect poorly on these other brands.

Cash Cows. Some brands may be kept around despite dwindling sales because they still manage to hold on to a sufficient number of customers and maintain their profitability with virtually no marketing support. Marketers can effectively milk these "cash cows" by capitalizing on their reservoir of existing brand equity. For example, while technological advances have moved much of the market to its newer Fusion brand of razors, Gillette still sells its older Trac II, Atra, Sensor, and Mach3 brands. Because withdrawing these may not necessarily switch customers to another Gillette brand, the company may profit more by keeping than discarding them.

Low-End, Entry-Level or High-End, Prestige Brands. Many brands introduce line extensions or brand variants in a certain product category that vary in price and quality. These sub-brands leverage associations from other brands while distinguishing themselves on price and quality. In this case, the end points of the brand line often play a specialized role.

The role of a relatively low-priced brand in the brand portfolio often may be to attract customers to the brand franchise. Retailers like to feature these traffic builders because they often are able to "trade up" customers to a higher-priced brand. For example, Verizon wireless plans allow customers to upgrade their old, sometimes cheaper cell phones to newer versions that are more expensive but still cheaper than retail.

Many of Gillette's older brands like Trac II, Atra, Sensor, and Mach III are cash cows in that they continue to sell reasonably well without any significant marketing support.

Source: Keri Miksza

BRANDING BRIEF 11-1

Expanding the Marriott Brand

Marriott International grew to an international hospitality giant from humble roots as a single root beer stand started by John and Alice Marriott in Washington, D.C., during the 1920s. The Marriotts added hot food to their root beer stand and renamed their business the Hot Shoppe, which they incorporated in 1929 when they began building a regional chain of restaurants. As the number of Hot Shoppes in the Southeast grew, Marriott expanded into in-flight catering by serving food on Eastern, American, and Capital Airlines, beginning in 1937. In 1939, Hot Shoppes began its food service management business when it opened a cafeteria in the U.S. Treasury building. The company expanded into another hospitality sector in 1957, when Hot Shoppes opened its first hotel in Arlington, Virginia. Hot Shoppes, which was renamed Marriott Corporation in 1967, grew nationally and internationally by making strategic acquisitions and entering new service categories; by 1977, sales topped $1 billion.

In pursuit of more growth, Marriott continued to diversify its business. Its 1982 acquisition of Host International made it the top U.S. operator of airport food and beverage facilities. Over the following three years, Marriott added 1,000 food service accounts by purchasing three food service companies: Gladieux, Service Systems, and Saga Corporation. Determining that its high penetration in the traditional hotel market did not offer many opportunities for growth, the company initiated a segmented marketing strategy for its hotels by introducing the moderately priced Courtyard by Marriott brand in 1983. Moderately priced hotels constituted the largest segment of the U.S. lodging industry, filled with established competitors such as Holiday Inn, Ramada, and Quality Inn. Marriott's research registered the greatest consumer dissatisfaction in this segment, so Courtyard hotels were designed to offer travelers greater convenience and amenities, such as balconies and patios, large desks and sofas, and pools and spas.

Early success with Courtyard prompted Marriott to expand further. In 1984, the company entered the vacation timesharing business by acquiring American Resorts Group. The following year, it purchased Howard Johnson Company, selling the hotels and retaining the restaurants and rest stops. The first JW Marriott luxury hotel was opened on Pennsylvania Avenue in Washington, D.C. as a tribute to the founder.

In 1987, Marriott added three new market segments: Marriott Suites, full-service suite accommodations; Residence Inn, extended-stay rooms for business travelers; and Fairfield Inn, an economy hotel brand. A company spokesman explained this rapid expansion: "There is a lot of segmentation that's going on in the hotel business. Travelers are sophisticated and have many wants and needs. In addition to that, we saw there would be a finite … ability to grow the traditional business."

In 1993, Marriott Corporation split in two, forming Host Marriott to own the hotel properties, and Marriott International to manage them and franchise its brands. Marriott International bought a minority stake in the Ritz-Carlton luxury hotel group in 1995 and purchased the remaining share in 1998. It expanded again in 1997 by acquiring the Renaissance Hotel Group and introducing TownePlace Suites, Fairfield Suites, and Marriott Executive Residences. Marriott added a new hotel brand in 1998 with the introduction of SpringHill Suites, which provide moderately priced suites that are 25 percent larger than standard hotel rooms. The following year, the company acquired corporate housing specialist ExecuStay Corporation and formed ExecuStay by Marriott, now a franchise business.

A new century saw new growth. The launch in 2007 of stylish EDITION hotels put Marriott in the luxury boutique market. Each property was distinctive and designed by famed hotel developer Ian Schrager. The Autograph Collection was also introduced in 2011, a diverse collection of high-personality, upper-upscale independent hotels. AC Hotels by Marriott was another lifestyle hotel entry in 2011, an upper-moderate tier brand targeting design-conscious younger travelers in Europe with stylish, urban properties.

The last Hot Shoppe restaurant, located in a shopping mall in Washington, D.C., closed on December 2, 1999. This closing was fitting, since the tiny restaurant in no way resembled the multinational hospitality leader it had

Brand Category	*Brands*
Iconic Luxury	Bvlgari The Ritz-Carlton The Ritz-Carlton Destination Club
Luxury	JW Marriott
Lifestyle | Collections	Edition Autograph Collection Renaissance Hotels AC Hotels
Signature	Marriott Hotels and Resorts
Modern Essentials	Courtyard SpringHill Suites Fairfield Inn and Suites
Extended Stay	Residence Inn TownePlace Suites ExecuStay Marriott Executive Apartments
Vacation Clubs	Marriott Vacation Club Grand Residences

FIGURE 11-4 Marriott International Portfolio Architecture

Source: Marriott International, Inc. Used with permission.

Like many major hotel companies, Marriott carefully manages its brand portfolio, including its Courtyard by Marriott, Marriott, and Ritz-Carlton brands.

Source: Andre Jenny Stock Connection Worldwide/Newscom; Andre Jenny Stock Connection Worldwide/Newscom; Lana Sundman/Alamy

spawned. Today, Marriott International is one of the leading hospitality companies in the world, with 3,700 properties in 72 countries and territories worldwide that brought in almost $12 billion in global revenues in 2010. In 2012, after extensive consumer research, Marriott International developed a formal brand architecture that it shared with prospective guests on its Web sites to aid them in their lodging decisions (see Figure 11-4).

Sources: www.marriott.com; Kim Clark, "Lawyers Clash on Timing of Marriott's Plan to Split," *Baltimore Sun*, 27 September 1994; Neil Henderson, "Marriott Gambles on Low-Cost, Classy Suburban Motels," *Washington Post*, 18 June 1994; Neil Henderson, "Marriott Bares Courtyard Plans," *Washington Post*, 12 June 1984; Elizabeth Tucker, "Marriott's Recipe for Corporate Growth," *Washington Post*, 1 June 1987; Paul Farhi, "Marriott to Sell 800 Restaurants," *Washington Post*, 19 December 1989; Stephane Fitch, "Soft Pillows and Sharp Elbows," *Forbes*, 10 May 2004, 66.

BMW introduced certain models into its 3-series automobiles in part as a means of bringing new customers into its brand franchise, with the hope of moving them up to higher-priced models when they traded their cars in. As the 3-series gradually moved up-market, BMW introduced the 1-series in 2004, which was built on the same production line as the 3-series and priced between the 3-series and the MINI.

On the other hand, the role of a relatively high-priced brand in the brand family is often to add prestige and credibility to the entire portfolio. For example, one analyst argued that the real value to Chevrolet of its Corvette high-performance sports car was "its ability to lure curious customers into showrooms and at the same time help improve the image of other Chevrolet cars. It does not mean a hell of a lot for GM profitability, but there is no question that it is a traffic builder."[14] Corvette's technological image and prestige cast a halo over the entire Chevrolet line.

Summary. Multiple brands can expand coverage, provide protection, extend an image, or fulfill a variety of other roles for the firm. In all brand portfolio decisions, the basic criteria are simple, even though their application can be quite complicated: to minimize overlap and get the most from the portfolio, each brand-name product must have (1) a well-defined role to fulfill for the firm and, thus, (2) a well-defined positioning indicating the benefits or promises it offers consumers. As Chapter 12 reveals, many firms find that due to product proliferation through the years, they now can cut the number of brands and product variants they offer and still profitably satisfy consumers.

BRAND HIERARCHIES

A ***brand hierarchy*** is a useful means of graphically portraying a firm's branding strategy by displaying the number and nature of common and distinctive brand elements across the firm's products, revealing their explicit ordering. It's based on the realization that we can brand a product in different ways depending on how many new and existing brand elements we use and how we combine them for any one product.

For example, a Dell Inspiron 17R notebook computer consists of three different brand name elements, "Dell," "Inspiron," and "17R." Some of these may be shared by many different products; others are limited. Dell uses its corporate name to brand many of its products, but Inspiron designates a certain type of computer (portable), and 17R identifies a particular model of Inspiron (designed to maximize gaming performance and entertainment and including a 17-inch screen).

We can construct a hierarchy to represent how (if at all) products are nested with other products because of their common brand elements. Figure 11-5 displays a simple characterization of ESPN's brand hierarchy. Note that ESPN is owned by Walt Disney Company and functions as a distinct family brand in that company's brand portfolio. As the figure shows, a brand hierarchy can include multiple levels.

There are different ways to define brand elements and levels of the hierarchy. Perhaps the simplest representation from top to bottom might be:

1. Corporate or company brand (General Motors)
2. Family brand (Buick)
3. Individual brand (Regal)
4. Modifier (designating item or model) (GS)
5. Product description (midsize luxury sport sedan automobile)

Levels of a Brand Hierarchy

Different levels of the hierarchy have different issues, as we review in turn.

Corporate or Company Brand Level. The highest level of the hierarchy technically always consists of one brand—the ***corporate or company brand***. For simplicity, we refer to corporate and company brands interchangeably, recognizing that consumers may not necessarily draw a distinction between the two or know that corporations may subsume multiple companies.

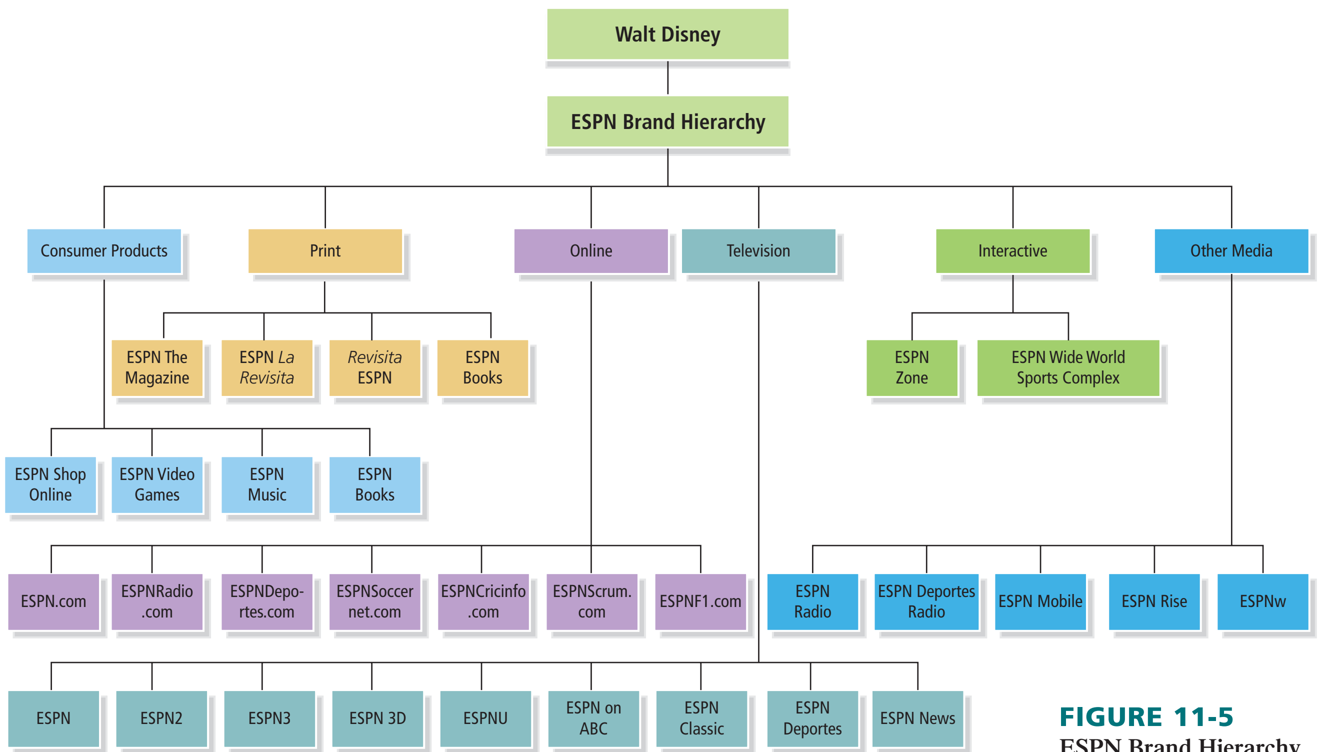

FIGURE 11-5
ESPN Brand Hierarchy

For legal reasons, the company or corporate brand is almost always present somewhere on the product or package, although the name of a company subsidiary may appear instead of the corporate name. For example, Fortune Brands owns many different companies, such as Jim Beam whiskey, Courvoisier cognac, Master Lock locks, and Moen faucets, but it does not use its corporate name on any of its lines of business.

For some firms like General Electric and Hewlett-Packard, the corporate brand is virtually the only brand. Conglomerate Siemens's varied electrical engineering and electronics business units are branded with descriptive modifiers, such as Siemens Transportation Systems. In other cases, the company name is virtually invisible and, although technically part of the hierarchy, receives virtually no attention in the marketing program. Black & Decker does not use its name on its high-end DeWalt professional power tools.

As we detail below, we can think of a ***corporate image*** as the consumer associations to the company or corporation making the product or providing the service. Corporate image is particularly relevant when the corporate or company brand plays a prominent role in the branding strategy.

Family Brand Level. At the next-lower level, a ***family brand***, also called a ***range brand*** or ***umbrella brand***, is used in more than one product category but is not necessarily the name of the company or corporation. For example, ConAgra's Healthy Choice family brand appears on a wide spectrum of food products, including packaged meats, soups, pasta sauces, breads, popcorn, and ice cream. Some other notable family brands for companies that generate more than $1 billion in sales include Purina and Kit Kat (Nestlé); Mountain Dew, Doritos, and Quaker Foods (PepsiCo); and Oreo, Cadbury, and Maxwell House (Kraft).

Because a family brand may be distinct from the corporate or company brand, company-level associations may be less salient. Most firms typically support only a handful of family brands. If the corporate brand is applied to a range of products, then it functions as a family brand too, and the two levels collapse to one for those products.

Marketers may apply family brands instead of corporate brands for several reasons. As products become more dissimilar, it may be harder for the corporate brand to retain any product meaning or to effectively link the disparate products. Distinct family brands, on the other hand, can evoke a specific set of associations across a group of related products.[15]

Family brands thus can be an efficient means to link common associations to multiple but distinct products. The cost of introducing a related new product can be lower and the likelihood of acceptance higher when marketers apply an existing family brand to a new product.

On the other hand, if the products linked to the family brand and their supporting marketing programs are not carefully considered and designed, the associations to the family brand may become weaker and less favorable. Moreover, the failure of one product may hurt other products sold under the same brand.

Individual Brand Level. Individual brands are restricted to essentially one product category, although multiple product types may differ on the basis of model, package size, flavor, and so forth. For example, in the "salty snack" product class, Frito-Lay offers Fritos corn chips, Doritos tortilla chips, Lays and Ruffles potato chips, and Rold Gold pretzels. Each brand has a dominant position in its respective product category within the broader salty snack product class.

The main advantage of creating individual brands is that we can customize the brand and all its supporting marketing activity to meet the needs of a specific customer group. Thus, the name, logo, and other brand elements, as well as product design, marketing communication programs, and pricing and distribution strategies, can all focus on a certain target market. Moreover, if the brand runs into difficulty or fails, the risk to other brands and the company itself is minimal. The disadvantages of creating individual brands, however, are the difficulty, complexity, and expense of developing separate marketing programs to build sufficient levels of brand equity.

Modifier Level. Regardless of whether marketers choose corporate, family, or individual brands, they must often further distinguish brands according to the different types of items or models. A ***modifier*** is a means to designate a specific item or model type or a particular version or configuration of the product. Land O'Lakes offers "whipped," "unsalted," and "regular" versions of its butter. Yoplait yogurt comes as "light," "custard style," and "original" flavors.

Adding a modifier often can signal refinements or differences between brands related to factors such as quality levels (Johnnie Walker Red Label, Black Label, and Gold Label Scotch whiskey), attributes (Wrigley's Spearmint, Doublemint, Juicy Fruit, and Winterfresh flavors of chewing gum), function (Dockers Relaxed Fit, Classic Fit, Straight Fit, Slim Fit, and Extra Slim Fit pants), and so forth.[16] Thus, one function of modifiers is to show how one brand variation relates to others in the same brand family.

Modifiers help make products more understandable and relevant to consumers or even to the trade. They can even become strong trademarks if they are able to develop a unique association with the parent brand—only Uncle Ben has "Converted Rice," and only Orville Redenbacher sells "Gourmet Popping Corn."[17]

Product Descriptor. Although not considered a brand element per se, the product descriptor for the branded product may be an important ingredient of branding strategy. The product descriptor helps consumers understand what the product is and does and also helps define the relevant competition in consumers' minds.

In some cases, it may be hard to describe succinctly what the product is, a new product with unusual functions or even an existing product that has dramatically changed. Public libraries are no longer about checking out books or taking a preschooler to story time. A full-service modern public library serves as an educational, cultural, social, and recreational community center.

In the case of a truly new product, introducing it with a familiar product name may facilitate basic familiarity and comprehension, but perhaps at the expense of a richer understanding of how the new product is different from closely related products that already exist.

Designing a Brand Hierarchy

Given the different possible levels of a brand hierarchy, a firm has a number of branding options available, depending on whether and how it employs each level. Designing the right brand hierarchy is crucial. Branding Brief 11-2 describes the firestorm Netflix encountered when it attempted to make a significant change to its brand hierarchy.

BRANDING BRIEF 11-2

Netflix Branding Stumbles

A media darling for much of his company's meteoric rise, Reed Hastings, founder and CEO of Netflix, seemingly could do no wrong. Founded in 1997, Netflix pioneered the DVD-by-mail category, successfully challenging traditional video stores and driving industry leader Blockbuster into bankruptcy in the process. Netflix's bold formula for success included flawless service delivery combined with a state-of-the-art movie recommendation engine for users. The company even famously sponsored a contest with a $1 million prize to anyone who could make its recommendation algorithm work better.

Netflix's business philosophy was captured by two credos found on its corporate Web site: "Avoid 'barnacles' that can slow down a fast-growing business" and "Make tough decisions without agonizing and focus on great results rather than process." Hard-charging and constantly seeking to innovate, Netflix dove in head-first as streaming technology evolved online and quickly found a receptive audience ready to instantaneously download and view video. That's also where the trouble began.

The difference in gross profit margins between mail order (37 percent) and streaming rentals (65 percent) was significant. In part to better account for these revenue differences, management decided in April 2011 to split the company into two brands and businesses. As the first step, customers were told on July 12, 2011, that they would begin to be charged $7.99 for each form of rental instead of $9.99 for both forms, in effect a 60 percent price increase for the 24 million subscribers who wanted to use both physical discs and streaming. In an unfortunate coincidence, at roughly the same time, cable channel Starz very publicly ended negotiations with Netflix to renew a key online deal to supply movies and TV shows.

Perceiving that they would be paying more for less, customers were decidedly unhappy. Over 600,000 terminated their accounts in the following months, catching Netflix off guard. Although the company normally conducted exhaustive consumer research on everything from the red color of its envelopes to the quality of its video streams, in this case it had decided to forgo consumer research based on its understanding that the vast majority of new customers seemed to prefer streaming. Many existing customers, however, accustomed to years of the three-at-a-time DVD rental service, viewed the online service as a free add-on to their DVD rentals, not the other way around.

The company compounded its problems with a blog post by Hastings on September 18, 2011, that many saw as only a half-hearted apology. Hastings announced that the company's movies-by-mail service would be rebranded Qwikster and would add video games to its catalog, while the Netflix brand would be devoted to streaming video only. Once again, consumer response was emphatically negative—to the strategy and even to the new name. As one critic said:

> "It is as though Hastings and the Netflix crew sat in a room and brainstormed the dumbest possible names they could think of and knew they were really onto something truly stupid when they came up with Qwikster … My first reaction, when I heard the news, was, "Hey Qwikster, 1991 called, it wants its radical new company name back."

Founder Reed Hastings ran into a public relations firestorm when he attempted to split up the Netflix business to create a new brand architecture.

Source: Dan Krauss/The New York Times/Redux Pictures

On October 10, 2011, after several weeks of negative criticism and publicity, another Hastings post announced that the company would no longer split its services in two: "It is clear that for many of our members two websites would make things more difficult, so we are going to keep Netflix as one place to go for streaming and DVDs. This means no change: one website, one account, one password … in other words, no Qwikster."

Netflix's brand architecture problems clearly slowed down the momentum the company had achieved in the marketplace and left many consumers unhappy or confused. As one disgruntled blogger noted, "Netflix does more flip-flopping than a fish on a hot deck." As the year ended, however, some signs of stability and growth emerged, and analysts were cautiously optimistic that Netflix would be able to put its problems behind it.

Sources: Michael V. Copeland, "Reed Hastings: Leader of the Pack," *Fortune* (6 December 2010): 121–130; Ronald Grover and Cliff Edwards, "Can Netflix Find Its Future by Abandoning the Past?," *Bloomberg BusinessWeek*, 22 September 2011; Cliff Edwards, "Can Netflix Regain Lost Ground?," *Bloomberg BusinessWeek*, 23 October 2011; John D. Sutter, "Netflix Whiplash Stirs Angry Mobs—Again," www.cnn.com, 10 October 2011; Doug Gross, "Customers Fume Over Netflix Changes," www.cnn.com, 20 September 2011; Logan Burruss and David Goldman, "Netflix Abandons Plan for Qwikster DVD Service," www.cnnmoney.com, 10 October 2011; Stu Woo and Ian Sherr, "Netflix Recovers Subscribers," *Wall Street Journal*, 26 January 2012.

1. Decide on which products are to be introduced.

- *Principle of growth:* Invest in market penetration or expansion vs. product development according to ROI opportunities.
- *Principle of survival:* Brand extensions must achieve brand equity in their categories.
- *Principle of synergy:* Brand extensions should enhance the equity of the parent brand.

2. Decide on the number of levels.

- *Principle of simplicity:* Employ as few levels as possible.
- *Principle of clarity:* Logic and relationship of all brand elements employed must be obvious and transparent.

3. Decide on the levels of awareness and types of associations to be created at each level.

- *Principle of relevance:* Create abstract associations that are relevant across as many individual items as possible.
- *Principle of differentiation:* Differentiate individual items and brands.

4. Decide on how to link brands from different levels for a product.

- *Principle of prominence:* The relative prominence of brand elements affects perceptions of product distance and the type of image created for new products.

5. Decide on how to link a brand across products.

- *Principle of commonality:* The more common elements products share, the stronger the linkages.

FIGURE 11-6
Guidelines for Brand Hierarchy Decisions

Brand elements at each level of the hierarchy may contribute to brand equity through their ability to create awareness as well as foster strong, favorable, and unique brand associations and positive responses. The challenge in setting up a brand hierarchy is to decide:

1. The specific products to be introduced for any one brand.
2. The number of levels of the hierarchy to use.
3. The desired brand awareness and image at each level.
4. The combinations of brand elements from different levels of the hierarchy, if any, to use for any one particular product.
5. The best way to link any one brand element, if at all, to multiple products.

The following discussion reviews these five decisions. Figure 11-6 summarizes guidelines in each of these areas to assist in the design of brand hierarchies.

Specific Products to Introduce. Consistent with discussions in other chapters about what products a firm should introduce for any one brand, we can note three principles here.

The ***principle of growth*** maintains that investments in market penetration or expansion versus product development for a brand should be made according to ROI opportunities. In other words, firms must make cost–benefit calcuations for investing resources in selling more of a brand's existing products to new customers versus launching new products for the brand.

In seeing its traditional networking business slow down, Cisco decided to bet big on new Internet video products. Although video has become more pervasive in almost all media (cell phones, Internet, etc.), the bulky size of files creates transmission challenges. Cisco launched Telepresence technology to permit high-definition videoconferencing for its corporate customers and is infusing its entire product line with greater video capabilities through its medianet architecture.[18]

The other two principles address the dynamics of brand extension success, as developed in great detail in Chapter 12. The ***principle of survival*** states that brand extensions must achieve brand equity in their categories. In other words, "me too" extensions must be avoided. The ***principle of synergy*** states that brand extensions should also enhance the equity of the parent brand.

Number of Levels of the Brand Hierarchy. Given product boundaries and an extension strategy in place for a brand, the first decision to make in defining a branding strategy is, broadly, which level or levels of the branding hierarchy to use. Most firms choose to use more than one

level, for two main reasons. Each successive branding level allows the firm to communicate additional, specific information about its products. Thus, developing brands at lower levels of the hierarchy allows the firm flexibility in communicating the uniqueness of its products. At the same time, developing brands at higher levels of the hierarchy is obviously an economical means of communicating common or shared information and providing synergy across the company's operations, both internally and externally.

As we noted above, the practice of combining an existing brand with a new brand is called sub-branding, because the subordinate brand is a means of modifying the superordinate brand. A sub-brand, or hybrid branding, strategy can also allow for the creation of specific brand beliefs. Pepsi is working hard to create a number of sub-brands for its Gatorade brand.

GATORADE

First created by researchers at the University of Florida in the mid-1960s—whose nickname for its sports teams the "Gators" gave the product its name—Gatorade was a carbohydrate-electrolyte beverage designed to replace what the school's athletes would lose from sweating in the intense Gainsville heat. Pioneering the sports drink market, Gatorade became an on-court and off-court staple for athletes everywhere. PepsiCo bought Quaker Oats and the brand in 2000, but after a decade of ownership, sales began to slump. A slew of new water and energy drink competitors helped erode Gatorade's sales. The "What is G?" ad campaign failed to reignite sales in 2009. That year, Pepsi marketers decided to launch the innovative new "G series" to reconnect with competitive athletes and to ensure that Gatorade was not seen as "the sports drink of my father." The G series was designed to "fuel the body before, during, and after practice, training and competition." It consisted of three product groupings:

- *Prime 01*, pregame fuel in the form of four-ounce beverage pouches packed with carbohydrates, sodium, and potassium to be consumed before athletic activity.
- *Perform 02*, the traditional Thirst Quencher and G2 beverage lines used to hydrate and refresh during periods of heavy exertion, exercise, or competition.
- *Recover 03*, a protein-packed beverage to aid hydration and muscle recovery after exercise.

Other versions of G Series were also launched. G Series Pro was initially available only for professional athletes but was later broadened to target the more serious amateur; G Series Natural contained natural ingredients like sea salt, fruit flavors, and natural sweeteners. G Series Fit was a healthier and low-calorie version of the product line to be used before, during, and after personal workouts.[19]

Gatorades's dramatic repositioning included a completely new G Series brand architecture.

Source: Jarrod Weaton/Weaton Digital, Inc.

Sub-branding thus creates a stronger connection to the company or family brand and all the associations that come along with that. At the same time, developing sub-brands also allows for the creation of brand-specific beliefs. This more detailed information can help customers better understand how products vary and which particular product may be the right one for them.

Sub-brands also help organize selling efforts so that salespeople and retailers have a clear picture of how the product line is organized and how best to sell it. For example, one of the main advantages to Nike of continually creating sub-brands in its basketball line with Air Max Lebron, Air Zoom Hyperdunk, and Hyperfuse, as well as the very popular Jordan line, is to generate retail interest and enthusiasm. Ninety-two of the top-100-selling basketball shoes in 2010 were sold by Nike.[20]

Marketers can employ a host of brand elements as part of a sub-brand, including name, product form, shape, graphics, color, and version. By skillfully combining new and existing brand elements, they can effectively signal the intended similarity or fit of a new extension with its parent brand.

The ***principle of simplicity*** is based on the need to provide the right amount of branding information to consumers—no more and no less. The desired number of levels of the brand hierarchy depends on the complexity of the product line or product mix, and thus on the combination of shared and separate brand associations the company would like to link to any one product.

With relatively simple low-involvement products—such as light bulbs, batteries, and chewing gum—the branding strategy often consists of an individual or perhaps a family brand combined with modifiers that describe differences in product features. For example, GE has three main brands of general-purpose light bulbs (Edison, Reveal, and Energy Smart) combined with designations for basic functionality (Standard, Reader, and three-way), aesthetics (soft white and daylight), and performance (40, 60, and 100 watts).

A complex set of products—such as cars, computers, or other durable goods—requires more levels of the hierarchy. Thus, Sony has family brand names such as Cyber-Shot for its cameras, Bravia for TVs, and Handycams for its camcorders.[21] A company with a strong corporate brand selling a relatively narrow set of products, such as luxury automobiles, can more easily use nondescriptive alphanumeric product names because consumers strongly identify with the parent brand, as Acura found out.

ACURA

Honda grew from humble origins as a motorcycle manufacturer to become a top automobile import competitor in the United States. Recognizing that future sales growth would come from more upscale customers, it set out in the early 1980s to compete with European luxury cars. Since Honda's image of dependable, functional, and economical cars did not have the cachet to appeal to this segment, the company created the new Acura division. After meeting initial success, however sales began to drop. Research revealed part of the problem: Acura's Legend, Integra, and Vigor sub-brand names did not communicate luxury and order in the product line as well as the alphanumeric branding scheme of competitors BMW, Mercedes, Lexus, and Infiniti. Honda decided that the strength of the brand should lie in the Acura name. Thus, despite the fact that it had spent nearly $600 million on advertising Acura sub-brands over the previous eight years to build their equity, the firm announced a new alphanumeric branding scheme in the winter of 1995: the 2.5 TL and 3.2 TL (for Touring Luxury) sedan series, the 3.5 RL, the 2.2 CL, and 3.0 CL, and the RSX series. Acura spokesperson Mike Spencer said, "It used to be that people said they owned or drove a Legend.... Now they say they drive an Acura, and that's what we wanted." Introducing new models with new names paid off and sales subsequently rose. Although Acura solved its branding problems, a perceived lack of styling has plagued the brand, and in recent years the company has struggled to keep up with its luxury compatriots.[22]

It's difficult to brand a product with more than three levels of brand names without overwhelming or confusing consumers. A better approach might be to introduce multiple brands at the same level (multiple family brands) and expand the depth of the branding strategy.

Desired Awareness and Image at Each Hierarchy Level. How much awareness and what types of associations should marketers create for brand elements at each level? Achieving the desired level of awareness and strength, favorability, and uniqueness of brand associations may

take some time and call for a considerable change in consumer perceptions. Assuming marketers use some type of sub-branding strategy for two or more brand levels, two general principles—relevance and differentiation—should guide them at each level of the brand knowledge creation process.

The ***principle of relevance*** is based on the advantages of efficiency and economy. Marketers should create associations that are relevant to as many brands nested at the level below as possible, especially at the corporate or family brand level. The greater the value of an association in the firm's marketing, the more efficient and economical it is to consolidate this meaning into one brand linked to all these products.[23] For example, Nike's slogan ("Just Do It") reinforces a key point-of-difference for the brand—performance—that is relevant to virtually every product it sells.

The more abstract the association, the more likely it is to be relevant in different product settings. Thus, benefit associations are likely to be extremely advantageous because they can cut across many product categories. For brands with strong product category and attribute associations, however, it can be difficult to create a brand image robust enough to extend into new categories.

For example, Blockbuster struggled to expand its meaning from "a place to rent videos" to "your neighborhood entertainment center" in hopes of creating a broader brand umbrella with greater relevance to more products. It eventually declared bankruptcy before being acquired via auction by satellite television provider Dish Network in April 2011.[24]

The ***principle of differentiation*** is based on the disadvantages of redundancy. Marketers should distinguish brands at the same level as much as possible. If they cannot easily distinguish two brands, it may be difficult for retailers or other channel members to justify supporting both, and for consumers to choose between them.

Although new products and brand extensions are critical to keeping a brand innovative and relevant, marketers must introduce them thoughtfully and selectively. Without restraint, brand variations can easily get out of control.[25]

A grocery store can stock as many as 40,000 items, which raises the question: Do consumers really need nine kinds of Kleenex tissues, Eggo waffles in 16 flavors, and 72 varieties of Pantene shampoo, all of which have been available at one point in time? To better control its inventory and avoid brand proliferation, Colgate-Palmolive began to discontinue one item for each product it introduces.

Although the principle of differentiation is especially important at the individual brand or modifier levels, it's also valid at the family brand level. For example, one of the criticisms of marketing at General Motors was that the company had failed to adequately distinguish its family brands of automobiles, perhaps ultimately leading to the demise of the Oldsmobile, Pontiac, and Saturn brands.

The principle of differentiation also implies that not all products should receive the same emphasis at any level of the hierarchy. A key issue in designing a brand hierarchy is thus choosing the relative emphasis to place on the different products in it. If a corporate or family brand is associated with multiple products, which product should be the core or flagship product? What product should represent "the brand" to consumers?

A ***flagship product*** is one that best represents or embodies the brand to consumers. It is often the first product by which the brand gained fame, a widely accepted best seller, or a highly admired or award-winning product. For example, although other products are associated with their brands, flagship products might be soap for Ivory, credit cards for American Express, and cake mix for Betty Crocker.[26]

Flagship products play a key role in the brand portfolio in that marketing them can have short-term benefits (increased sales), as well as long-term benefits (improved brand equity). Chrysler put a lot of marketing effort behind its 300 models when they were hot sellers even though they made up only 22 percent of the brand's total sales, because the 300 also appeared to provide a halo over the rest of the Chrysler line. At a time when General Motors sales were declining by 4 percent, Chrysler's sales shot up 10 percent.[27]

Combining Brand Elements from Different Levels. If we combine multiple brand elements from different levels of the brand hierarchy, we must decide how much emphasis to give each. For example, if we adopt a sub-brand strategy, how much prominence should we give individual brands at the expense of the corporate or family brand?

Principle of Prominence. The ***prominence*** of a brand element is its relative visibility compared with other brand elements. Prominence depends on several factors, such as order, size, and appearance, as well as semantic associations. A name is generally more prominent when it appears first, is larger, and looks more distinctive. Assume PepsiCo has adopted a sub-branding strategy to introduce a new vitamin-fortified cola, combining its corporate family brand name with a new individual brand name, say, "Vitacola." We could make the Pepsi name more prominent by placing it first and making it bigger: PEPSI *Vitacola.* Or we could make the individual brand more prominent by placing it first and making it bigger: Vitacola BY PEPSI.

The ***principle of prominence*** states that the relative prominence of the brand elements determines which become the primary one(s) and which the secondary one(s). Primary brand elements should convey the main product positioning and points-of-difference. Secondary brand elements convey a more restricted set of supporting associations such as points-of-parity or perhaps an additional point-of-difference. A secondary brand element may also facilitate awareness.

For example, with the Droid by Motorola series of smartphones, the primary brand element is the Droid name, which connotes its use of Google's Android operating system. The Motorola name, on the other hand, is a secondary brand element that ideally conveys credibility, quality, and professionalism. According to the principle of prominence, the more prominent a brand element, the more emphasis consumers will give it in forming their brand opinions. The relative prominence of the individual and the corporate brands will therefore affect perceptions of product distance and the type of image created for a new product.

Consumers are very literal. If the corporate or family brand is made more prominent, then its associations are more likely to dominate. If the individual brand is made more prominent, on the other hand, then it should be easier to create a more distinctive brand image. "Marriott's Courtyard" would be seen as much more of a Marriott hotel than "Courtyard by Marriott" by virtue of having the corporate name first. In "Courtyard by Marriott," the position of the corporate or family brand is signaling to consumers that the new product is not as closely related to its other products that share that name. As a result, consumers should be less likely to transfer corporate or family brand associations. At the same time, because of the greater perceived distance, the success or failure of the new product should be less likely to affect the image of the corporate

Branding for the Droid by Motorola emphasizes Google's Android operating system more than it does the Motorola corporate name.

Source: AP Photo/David Duprey

or family brand. With a more prominent corporate or family brand, however, feedback effects are probably more likely to be evident.

In some cases, the brand elements may not be explicitly linked at all. In a ***brand endorsement strategy***, a brand element—often the corporate brand name or logo—appears on the package, signage, or product appearance in some way but is not directly included as part of the brand name. The brand endorsement strategy presumably establishes the maximum distance between the corporate or family brand and the individual brands, suggesting that it would yield the smallest transfer of brand associations to the new product but, at the same time, minimize the likelihood of any negative feedback effects.

For example, General Mills places its "Big G" logo on its cereal packages but retains distinct brand names such as Cheerios, Wheaties, and Lucky Charms. Kellogg, on the other hand, adopts a sub-brand strategy that combines the corporate name with individual cereal brands, for instance Kellogg's Corn Flakes and Kellogg's Special K. Through its sub-branding strategy and marketing activities, Kellogg should be more effective than General Mills in connecting its corporate name to its products and, as a result, in creating favorable associations to its corporate name.

Branding Strategy Screen. Marketers can use the branding strategy screen displayed in Figure 11-7 to "dial up" or "dial down" different brand elements. If a potential new product or service is strongly related to the parent brand such that there is a high likelihood of parent brand equity carryover, and if there is little equity risk, a product descriptor or parent-brand-first sub-brand may make sense.[28]

On the other hand, if a potential new product or service is more removed from the parent brand such that there is a lower likelihood of parent brand equity carryover or if there is higher equity risk, then a parent-brand-second sub-brand or even a new brand may be more appropriate. In these latter cases, the parent brand may just be used as an endorser.

These pros and cons help determine whether a "branded house" or "house of brands" is the more appropriate strategy. What consumers know about and want from the brand, and how they will actually use it, is also important. Although offering multiple sub-brands as part of a detailed brand family may seem to provide more descriptive details, it can easily backfire if taken too far.

For example, when one-time technology hotshot Silicon Graphics named its new 3-D work station "Indigo^2 Solid Impact," customers chose to simplify the name by calling it simply "Solid." Creating equity for a low-level brand modifier (Solid) would certainly not be called good branding practice. Brand equity ideally resides at the highest level of the branding hierarchy possible, where it can benefit more products and services.

Linking Brand Elements to Multiple Products. So far, we've highlighted how to apply different brand elements to a particular product—the "vertical" aspects of the brand hierarchy. Next, we consider how to link any one brand element to multiple products—the "horizontal" aspects. The ***principle of commonality*** states that the more common brand elements products share, the stronger the linkages between them.

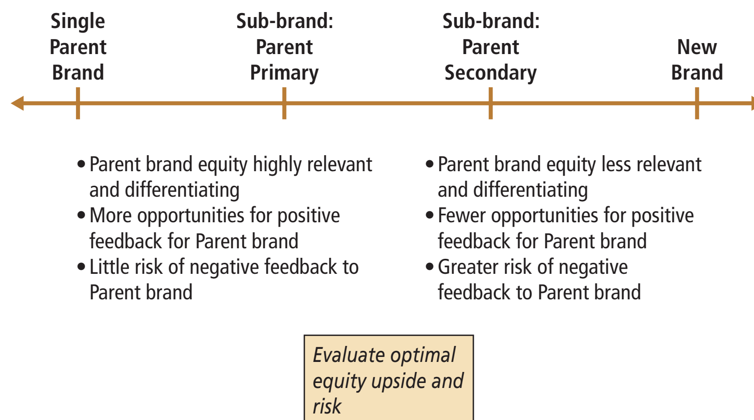

FIGURE 11-7
Branding Strategy Screen

The simplest way to link products is to use the brand element "as is" across them. Adapting the brand, or some part of it, offers additional possibilities for making the connection.

- Hewlett-Packard capitalized on its highly successful LaserJet computer printers to introduce a number of new products using the "Jet" suffix, for example, the DeskJet, PaintJet, ThinkJet, and OfficeJet printers.
- McDonald's has used its "Mc" prefix to introduce a number of products, such as Chicken McNuggets, Egg McMuffin, and the McRib sandwich.
- Donna Karan's DKNY brand, Calvin Klein's CK brand, and Ralph Lauren's Double RL brand rely on initials.

We can also create a relationship between a brand and multiple products with common symbols. For example, corporate brands like Nabisco often place their corporate logo more prominently on their products than their name, creating a strong brand endorsement strategy.

Finally, it's often a good idea to logically order brands in a product line, to communicate how they are related and to simplify consumer decision making. We can communicate the order though colors (American Express offers Red, Blue, Green, Gold, Platinum, and "Black" or Centurion cards), numbers (BMW offers its 3-, 5-, and 7-series cars), or other means. This strategy is especially important in developing brand migration pathways for customers to switch among the brands offered by the company. The relative position of a brand within a brand line may also affect consumer perceptions and preferences.[29]

CORPORATE BRANDING

Given its fundamental importance in brand architecture, we will go into greater detail on corporate branding. A corporate brand is distinct from a product brand in that it can encompass a much wider range of associations. As detailed below, a corporate brand name may be more likely to evoke associations of common products and their shared attributes or benefits, people and relationships, programs and values, and corporate credibility.

These associations can have an important effect on the brand equity and market performance of individual products. For example, one research study revealed that consumers with a more favorable corporate image of DuPont were more likely to respond favorably to the claims made in an ad for Stainmaster carpet and therefore actually buy the product.[30]

Building and managing a strong corporate brand, however, can necessitate that the firm keep a high public profile, especially to influence and shape some of the more abstract types of associations. The CEO or managing director, if associated with a corporate brand, must also be willing to maintain a more public profile to help communicate news and information, as well as perhaps provide a symbol of current marketing activities. At the same time, a firm must also be willing to subject itself to more scrutiny and be extremely transparent in its values, activities, and programs. Corporate brands thus have to be comfortable with a high level of openness.

A corporate brand offers a host of potential marketing advantages, but only if corporate brand equity is carefully built and nurtured—a challenging task. Many marketing winners in the coming years will therefore be those firms that properly build and manage corporate brand equity. Branding Brief 11-3 describes a closely related concept—corporate reputation—and how we can look at it from the perspective of consumers and other firms.[31]

Corporate brand equity is the differential response by consumers, customers, employees, other firms, or any relevant constituency to the words, actions, communications, products, or services provided by an identified corporate brand entity. In other words, positive corporate brand equity occurs when a relevant constituency responds more favorably to a corporate ad campaign, a corporate-branded product or service, a corporate-issued PR release, and so on than if the same offering were attributed to an unknown or fictitious company.

A corporate brand can be a powerful means for firms to express themselves in a way that isn't tied to their specific products or services. The Science of Branding 11-3 describes one approach to defining corporate brand personality.

THE SCIENCE OF BRANDING 11-3

Corporate Brand Personality

The success of a twenty-first-century company will be a function of many different characteristics—its mission, structure, processes, culture, and so on. One important characteristic is its corporate brand personality.

Formally, we can define ***corporate brand personality*** as "a form of brand personality specific to a corporate brand" and "the human characteristics or traits that can be attributed to a corporate brand." Despite the fact that the concept of brand personality applies to both product brands and corporate brands, because corporate brands are designed to encompass a wider range of associations than the product brands that might fall under them, the dimensions are not necessarily the same.

One approach maintains that a successful twenty-first-century corporation's brand personality must reflect three core dimensions: the "heart," the "mind," and the "body" (see Figure 11-8).

- The "heart" of a company reflects two traits: it is *passionate* and *compassionate*. Employees should be passionate about their jobs, their business and industry, their firm's products and services, and what they can do for their customers. The company must also have compassion and care deeply about its customers, employees, stakeholders, the communities in which it operates, and the environment as a whole.
- The "mind" of a company is *creative* and *disciplined.* A successful twenty-first-century company must be creative in its approach to serving its customers, transcending the current status quo, finding new solutions to old problems, and overcoming the trade-offs faced by all businesses. Yet it must also be disciplined and stay focused, avoiding the "grass is greener" syndrome and the latest management fads, finding truly promising growth opportunities, and ensuring that it takes appropriate and consistent actions.
- The "body" of a company is *agile* and *collaborative.* It must anticipate changes that will be necessary in the future, move forward quickly, and nimbly react to changes in the market. A successful twenty-first-century company must also be collaborative, fostering an internal culture of interdepartmental teamwork and establishing an external network of partners that share common corporate values and beliefs and offer complementary and synergistic assets and competencies.

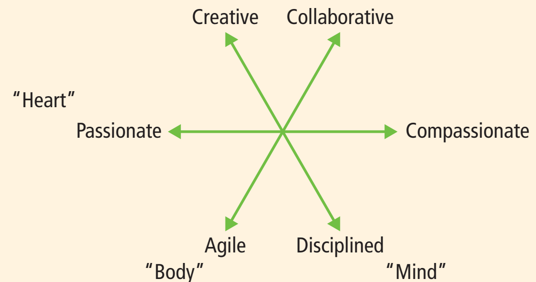

FIGURE 11-8 Corporate Personality Traits

These three core dimensions of corporate personality have a multiplicative, not merely an additive, effect. For example, passion can drive creativity in an organization. In turn, creativity spurs agility, as more creative firms are able to rapidly find solutions to problems or recognize new opportunities. Discipline engenders better collaborative efforts, as employees more readily establish and follow guidelines and partnership principles.

These dimensions of corporate personality traits are important to build in a brand, because the corporation competing in the twenty-first century will be defined "as much by *who* it is as *what* it does." This contrasts with the historical case for corporations, in which a company drew its identity primarily from products and services it sold and its actions in the market.

A company's employees are, in many cases, the outward face of the company that consumers see, and they define "who" a corporation is. They embody the personality traits the company has established. If all employees act with a "heart," "mind," and "body," then the company will be better positioned to achieve success in the twenty-first-century business environment.

Sources: Kevin Lane Keller and Keith Richey, "The Importance of Corporate Brand Personality Traits to a Successful 21st Century Business, *Journal of Brand Management* 14 (September–November 2006): 74–81; Thomas J. Brown, "Corporate Associations in Marketing: Antecedents and Consequences," *Corporate Reputation Review* 1 (Autumn 1998): 215–233; Majken Schultz, Yun Mi Antorini, and Fabian F. Csaba, eds., *Corporate Branding: Purpose, People, and Processes* (Herndon, VA: Copenhagen Business School Press, 2005); Lynn B. Upshaw and Earl L. Taylor, *The Masterbrand Mandate* (New York: John Wiley & Sons, 2000).

Corporate Image Dimensions

A corporate image will depend on a number of factors, such as the products a company makes, the actions it takes, and the manner in which it communicates to consumers. This section highlights some of the different types of associations that are likely to be linked to a corporate brand and that can affect brand equity (see Figure 11-9).[32]

Common Product Attributes, Benefits, or Attitudes. Like individual brands, a corporate or company brand may evoke in consumers a strong association to a product attribute (Hershey with "chocolate"), type of user (BMW with "yuppies"), usage situation (Club Med with "fun times"), or overall judgment (Sony with "quality").

BRANDING BRIEF 11-3

Corporate Reputations: The Most Admired U.S. Companies

Two annual surveys offer insights into corporate reputation. Every year, *Fortune* magazine conducts a comprehensive survey of business perceptions of the companies with the best corporate reputations. The 2010 survey included the 1,400 largest U.S. and non-U.S. companies in 64 industry groups. More than 4,000 senior executives, outside directors, and financial analysts were asked to select the 10 companies they admired most, regardless of industry. To create industry lists, respondents rated companies in their industry on nine criteria: (1) quality of management; (2) quality of products or services; (3) innovativeness; (4) long-term investment value; (5) financial soundness; (6) ability to attract, develop, and keep talented people; (7) responsibility to the community and the environment; (8) wise use of corporate assets; and (9) global competitiveness.

Many of the same companies make the list year after year; for example, Apple was number one from 2007 to 2010, and Procter & Gamble was in the top ten from 2005 to 2010. *Fortune's* top ten most admired companies from 2010 and their rankings are as follows:

Rank	Company	Rank	Company
1	Apple	6	Coca-Cola
2	Google	7	Amazon.com
3	Berkshire Hathaway	8	FedEx
4	Southwest Airlines	9	Microsoft
5	Procter & Gamble	10	McDonald's

Another informative survey, the RQ 2010 study of corporate reputations, conducted each year since 1999 by Harris Interactive and the Reputation Institute, demonstrated both the enduring character of corporate reputations but their ability to change quickly at the same time. Researchers determine which companies should be rated on the basis of a preliminary sampling of over 30,000 members of the U.S. general public, utilizing the proprietary Harris Poll online panel. Respondents are asked first to identify the 60 most visible companies and then to rate them on 20 different attributes that make up the Reputation Quotient (RQ) instrument. The attributes are then grouped into six different reputation dimensions: Emotional Appeal, Products & Services, Social Responsibility, Vision & Leadership, Workplace Environment, and Financial Performance. The study also includes a number of questions that help provide a comprehensive understanding of how the public perceived firms' reputations. The 2010 rankings are as follows:

Rank	Company	Rank	Company
1	Google	6	Intel
2	Johnson & Johnson	7	Kraft Foods
3	3M	8	Amazon.com
4	Berkshire Hathaway	9	General Mills
5	Apple	10	Walt Disney Co.

Sources: "World's Most Admired Companies," *Fortune*, 22 March 2011; "Google Ranks Highest on Corporate Reputation in 12th Annual Harris Interactive U.S. Reputation Quotient® (RQ®) Survey," press release, Harris Interactive, 2 May 2011.

Common Product Attributes, Benefits, or Attitudes
Quality
Innovativeness

People and Relationships
Customer orientation

Values and Programs
Concern with environment
Social responsibility

Corporate Credibility
Expertise
Trustworthiness
Likability

FIGURE 11-9
Some Important Corporate Image Associations

If a corporate brand is linked to products across diverse categories, then some of its strongest associations are likely to be those intangible attributes, abstract benefits, or attitudes that span each of the different product categories. For example, companies may be associated with products or services that solve particular problems (Black & Decker), bring excitement and fun to certain activities (Nintendo), are built with the highest quality standards (Motorola), contain advanced or innovative features (Rubbermaid), or represent market leadership (Hertz).

Two specific product-related corporate image associations—high quality and innovation—deserve special attention.

A ***high-quality corporate image association*** creates consumer perceptions that a company makes products of the highest quality. A number of different organizations like J.D. Power, *Consumer Reports*, and various trade publications for automobiles rate products. The Malcolm Baldrige award is one of many that distinguishes companies on the basis of quality. Quality is one of the most important, if not *the* most important, decision factors for consumers.

An ***innovative corporate image association*** creates consumer perceptions of a company as developing new and unique marketing programs, especially with respect to product introductions or improvements. Keller and Aaker experimentally showed how different corporate image strategies—being innovative, environmentally concerned, or involved in the community—could affect corporate credibility and strategically benefit the firm by increasing the acceptance of brand extensions.[33] Interestingly, consumers saw a company with an innovative corporate image as not only expert but also trustworthy and likable. Being innovative is seen in part as being modern and up-to-date, investing in research and development, employing the most advanced manufacturing capabilities, and introducing the newest product features.

An image priority for many Japanese companies—from consumer product companies such as Kao to more technically oriented companies such as Canon—is to be perceived as innovative.[34] Perceived innovativeness is also a key competitive weapon and priority for firms in other countries. Michelin ("A Better Way Forward") describes how its commitment to the environment, security, value, and driving pleasure has been spurring innovation. Branding Brief 11-4 describes how 3M has developed an innovative culture and image.

People and Relationships. Corporate image associations may reflect characteristics of the employees of the company. Although focusing on employees is a natural positioning strategy for service firms like Southwest Airlines, Avis car rental, and Ritz-Carlton hotels as well as retailers like Walmart, manufacturing firms like DuPont and others have also used it in the past. Their rationale is that the traits that employees exhibit will directly or indirectly influence consumers about the products the firm makes or the services it provides.

Consumers may themselves form more abstract impressions of a firm's employees, especially in a services setting. One major public utility company was described by customers as "male, 35–40 years old, middle class, married with children, wearing a flannel shirt and khaki pants, who would be reliable, competent, professional, intelligent, honest, ethical, and business-oriented." On the downside, these same customers also described the utility as "distant, impersonal, and self-focused," suggesting an important area for improvement in its corporate brand image.

Retail stores also derive brand equity from their employees. For example, from its origins as a small shoe store, Seattle-based Nordstrom has become one of the nation's leading fashion specialty retailers through a commitment to quality, value, selection, and, especially, service. Legendary for its "personalized touch" and willingness to go to extraordinary lengths to satisfy its customers, Nordstrom creates brand equity largely through the efforts of its salespeople and the relationships they develop with customers.

Thus, a ***customer-focused corporate image association*** creates consumer perceptions of a company as responsive to and caring about its customers. Consumers believe their voice will be

BRANDING BRIEF 11-4

Corporate Innovation at 3M

3M has fostered a culture of innovation and improvisation from its very beginnings. In 1904, the company's directors were faced with a failed mining operation, but they turned the leftover grit and waste into a revolutionary new product: sandpaper. Today, 3M makes more than 50,000 products, including adhesives, contact lenses, and optical films. Over the last century, some of its noteworthy product launches include Scotch masking and transparent tape, Scotchgard fabric protector, and Post-it Notes.

Each year, 3M launches scores of new products, and the company generates significant revenues from those introduced within the past five years. It regularly ranks among the top 10 U.S. companies each year in patents received. 3M budgets roughly 5–6 percent of sales to R&D, totaling $1–$1.5 billion annually. The firm is able to consistently produce innovations in part because it promotes a corporate environment that facilitates new discoveries:

- 3M encourages everyone, not just engineers, to become "product champions." The company's "15 percent time" lets all employees spend up to 15 percent of their time working on projects of personal interest. A culture of healthy competition among highly motivated peers helps 3M innovate and create.
- Each promising new idea is assigned to a multidisciplinary venture team headed by an "executive champion." 3M hands Golden Step awards each year to the venture teams whose new products earned more than $2 million in U.S. sales or $4 million in worldwide sales within three years of commercial introduction.
- 3M expects some failures and uses them as opportunities to learn how to make products that work. It is also very selective about acquisitions, seeing them as only supplementary to organic growth and internal innovations and developments.
- Starting in 2010, 3M has introduced social networks into its innovation process, inviting 75,000 global employees and over 1,200 other people to participate in its annual Markets of the Future brainstorming session. Over 700 new ideas have been generated, leading to nine new markets for the company to explore.

Some of the innovations that emerged from 3M in 2010 include Cubitron II industrial abrasives, which are revolutionizing how grinding and abrading are done; new low-cost, maintenance-free respirators' and a new line of microprojectors for cars, classrooms, and recreational use.

3M's strong emphasis on R&D and innovation results in many breakthrough products, like its Cubitron industrial.
Source: 3M

Sources: www.3m.com; 3M 2010 annual report; Chuck Salter, "The Nine Passions of 3M's Mauro Porcini," *Fast Company*, October 2011; Kaomi Goetz, "How 3M Gave Everyone Days Off and Created an Innovation Dynamo," *Fast Company Design*, February 2011; Rick Swanborg, "Social Networks in the Enterprise: 3M's Innovation Process," *CIO*, 29 April 2010.

heard and that the company has their best interests in mind. Often this philosophy is reflected throughout the marketing program and communicated through advertising.

Values and Programs. Corporate image associations may reflect company values and programs that do not always directly relate to the products. Firms can run corporate-image ad campaigns to describe to consumers, employees, and others their philosophy and actions with respect to organizational, social, political, or economic issues.

For example, many recent corporate advertising campaigns have focused on environmental issues and social responsibility. A ***socially responsible corporate image association*** portrays the company as contributing to community programs, supporting artistic and social activities, and generally attempting to improve the welfare of society as a whole. An ***environmentally concerned corporate image association*** projects a company whose products protect or improve the environment and make more effective use of scarce natural resources. We consider corporate responsibility in more detail below, and Brand Focus 11.0 looks at the broader issue of cause marketing, in which British Airways has been a pioneer.

BRITISH AIRWAYS

An innovative cause marketer, British Airways has successfully introduced several noteworthy cause programs. It first partnered with UNICEF in 1994 for the cleverly titled Change for Good campaign, based on a very simple idea: foreign coins are particularly difficult to exchange at banks and currency exchanges. So passengers were asked to place any surplus coins—or bills, for that matter—in envelopes provided by British Airways, which donated them directly to UNICEF. British Airways advertised the program on the backs of seat cards, during an in-flight video, and with in-flight announcements with such success that fellow international carriers in the Oneworld Alliance began to participate. In June 2010, the program was replaced with the Flying Start program. This new program was a partnership with Comic Relief UK, a successful charity started by comedians whose aim is to "bring about positive and lasting change in the lives of poor and disadvantaged people." To publicize the new program, the airlines teamed up with Guinness World Records for the "Highest Stand-Up Comedy Gig in the World." Three comedians entertained 75 lucky passengers for a two-and-a-half-hour champagne flight. Flying Start was structured like Change for Good—donations were collected in-flight as well as online and at Travelex currency exchange locations in UK airports—but had a stronger local angle. The program raised almost $3 million in its first year, with a goal of raising $20 million by 2013 to "improve the lives of hundreds of thousands of children living in the UK and in some of the poorest countries across the world."[35]

Corporate Credibility. A particularly important set of abstract brand associations is corporate credibility. As defined in Chapter 2, corporate credibility measures the extent to which consumers believe a firm can design and deliver products and services that satisfy their needs and wants. It is the reputation the firm has achieved in the marketplace. Corporate credibility—as well as success and leadership—depend on three factors:

1. *Corporate expertise:* The extent to which consumers see the company as able to competently make and sell its products or conduct its services
2. *Corporate trustworthiness:* The extent to which consumers believe the company is motivated to be honest, dependable, and sensitive to customer needs
3. *Corporate likability:* The extent to which consumers see the company as likable, attractive, prestigious, dynamic, and so forth

While consumers who perceive the brand as credible are more likely to consider and choose it, a strong and credible reputation can offer additional benefits.[36] L.L. Bean is a company with much corporate credibility.

L.L. BEAN

A brand seen as highly credible, outdoors-product retailer L.L. Bean attempts to earn its customers' trust every step of the way—by providing prepurchase advice, secure transactions, best-in-class delivery, and easy returns and exchanges. Founded in 1912, L.L. Bean backs its efforts with a 100-percent satisfaction guarantee as well as its Golden Rule: "Sell good merchandise at a reasonable profit, treat your customers like human beings and they will always come back for more." Now a billion-dollar brand celebrating its 100th anniversary in 2012, the company retains its original image of being passionate about the outdoors and believing profoundly in honesty, product quality, and customer service.[37]

L.L. Bean's popular roving Bootmobile was a clever way to create awareness and engagement around its 100th anniversary.

Source: AP Photo/L.L. Bean, Lincoln Benedict

A highly credible company may be treated more favorably by other external constituencies, such as government or legal officials. It also may be able to attract better-qualified employees and motivate existing employees to be more productive and loyal. As one Shell Oil employee remarked as part of some internal corporate identity research, "If you're really proud of where you work, I think you put a little more thought into what you did to help get them there."

A strong corporate reputation can help a firm survive a brand crisis and avert public outrage that could otherwise depress sales or block expansion plans. As Harvard's Stephen Greyser notes, "Corporate reputation . . . can serve as a capital account of favorable attitudes to help buffer corporate trouble."

Summary. Many intangible brand associations can transcend the physical characteristics of products, providing valuable sources of brand equity and serving as critical points-of-parity or points-of-difference.[38] Companies have a number of means—indirect or direct—of creating these associations. But they must "talk the talk" and "walk the walk" by communicating to consumers and backing up claims with concrete programs consumers can easily understand or even experience.

Managing the Corporate Brand

A number of specific issues arise in managing a corporate brand. Here we consider three: corporate social responsibility, corporate image campaigns, and corporate name changes.

Corporate Social Responsibility. Some marketing experts believe consumers are increasingly using their perceptions of a firm's role in society in their purchase decisions. For example, consumers want to know how a firm treats its employees, shareholders, local neighbors, and other stakeholder or constituents.[39] As the head of a large ad agency put it: "The only sustainable competitive advantage any business has is its reputation."[40]

Consistent with this reasoning, 91 percent of respondents in a large global survey of financial analysts and others in the investment community agreed that a company that fails to look after its reputation will endure financial difficulties. Moreover, 96 percent said the CEO's reputation was fairly, very, or extremely important in influencing their ratings.[41]

The realization that consumers and others may be interested in issues beyond product characteristics and associations has prompted much marketing activity to establish the proper corporate image.[42] Some firms are putting corporate social responsibility at the very core of their

existence.[43] Ben & Jerry's has created a strong association as a "do-gooder" by using Fair Trade ingredients and donating 7.5 percent of its pretax profits to various causes. Its annual Social and Environmental Assessment Report details the company's main social mission goals and spells out how it is attempting to achieve them.

TOMS Shoes used cause marketing to launch its brand.

TOMS SHOES

When entrepreneur and former reality-show contestant Blake Mycoskie visited Argentina in 2006, he saw masses of children who suffered health risks and interrupted schooling due to a simple lack of shoes. Once home, Mycoskie started TOMS Shoes, whose name conveys "Shoes for a Better Tomorrow" and whose One for One program delivers a free pair of shoes to a needy child for each pair sold. The shoes themselves are based on the classic *alpargata* style found in Argentina. They're sold online and through top retailers such as Whole Foods, Nordstrom, and Neiman Marcus. TOMS's donated shoes—black, unisex canvas slip-ons with a sturdy sole—can now be found on the feet of more than 2 million kids in developing countries such as Argentina and Ethiopia. TOMS has a strong social media presence with almost a million Facebook friends. In 2011, Mycoskie launched TOMS Eyewear, using a similar One for One model in which for every pair of glasses sold, a child in need will receive either medical care, prescription glasses, or sight-saving surgery.[44]

Founder Blake Mycoskie put social responsibility at the heart of his TOMS Shoes business.

Source: AP Images/PRNewsFoto/TOMS Shoes

Brand Focus 11.0 outlines the advantages of cause marketing, the obstacles they face, and how to successfully design a successful campaign, with particular emphasis on green marketing.

Corporate Image Campaigns. ***Corporate image campaigns*** are designed to create associations to the corporate brand as a whole; consequently, they tend to ignore or downplay individual products or sub-brands.[45] As we would expect, some of the biggest spenders on these kinds of campaigns are well-known firms that use their company or corporate name prominently in their branding strategies, such as GE, Toyota, British Telecom, IBM, Novartis, and Deutsche Bank.

Corporate image campaigns have been criticized as an ego-stroking waste of time, and they can be easy for consumers to ignore. However, a strong campaign can provide invaluable marketing and financial benefits by allowing the firm to express itself and embellish the meaning of its corporate brand and associations for its individual products, as Philips did.

PHILIPS

To reposition itself as a more consumer-friendly brand, Philips Consumer Electronics launched a global corporate advertising campaign in 2004 that ran for a number of years. Centered on the company's new tagline, "Sense and Simplicity," which replaced the nine-year-old "Let's Make Things Better," the ads showcased innovative Philips products like the Flat TV with Ambilight, the HDRW720 DVD recorder with built-in hard disk, and the Sonicare Elite toothbrush fitting in effortlessly with users' sophisticated lifestyles. Philips president and CEO Gerard Kleisterlee described the repositioning campaign by saying, "Our route to innovation isn't about complexity—it's about simplicity, which we believe will be the new cool."[46]

To maximize the probability of success, however, marketers must clearly define the objectives of a corporate image campaign *and* carefully measure results against them.[47] A number of different objectives are possible in a corporate brand campaign:[48]

- Build awareness of the company and the nature of its business.
- Create favorable attitudes and perceptions of company credibility.
- Link beliefs that can be leveraged by product-specific marketing.
- Make a favorable impression on the financial community.
- Motivate present employees and attract better recruits.
- Influence public opinion on issues.

In terms of building customer-based brand equity, the first three objectives are particularly critical. A corporate image campaign can enhance awareness and create a more positive image of the corporate brand that will influence consumer evaluations and increase the equity associated with individual products and any related sub-brands. In certain cases, however, the latter three objectives can take on greater importance.[49]

A corporate image campaign may be useful when mergers or acquisitions transform the company. Consolidation in the financial services industry has caused firms like Zurich and UBS to develop and implement strong corporate branding strategies.

UBS

UBS was formed in 1998 when Union Bank of Switzerland and Swiss Bank Corporation merged. The bank struggled for recognition outside Switzerland, especially in the United States. After a period of acquiring better-known companies such as SG Warburg and PaineWebber, UBS engaged in a comprehensive review of its branding strategy. The results showed product overlap among UBS businesses, a weak branding culture, and a focus on individual employees rather than the brand. The company decided to adopt the UBS brand for all its businesses, and, in order to build brand equity, it launched a global brand-building effort emphasizing the bank's scope and resources, while also playing up its one-on-one client relationships. The "You and Us" campaign debuted in 2004, with global campaign expenditures above $100 million. The goal was to assure customers that they could rely on the breadth and depth of the bank's offerings, whatever their financial needs. By 2010, the brand had become a perennial entry in Interbrand's Top 100 global brands.[50]

Like product advertising, corporate image campaigns are becoming more creative and often include digital strategies as an integral component. For its new "Solutionism. The New Optimism." campaign, Dow Chemical put up a giant 46-foot chalkboard in Soho, Manhattan. Over a series of days, an elaborate set of equations described as a mathematical poem emerged, with numbers representing significant human achievements through history, such as "the year the Great Pyramid of Giza was completed," "Golden Gate Bridge length in feet," and "GIANT leaps for mankind." The public was invited to participate and guess the meanings of different elements of the poem through Twitter (@giantchalkboard) and a giantchalkboard.com Web site. When the full equation appeared on the fifth day, its solution totaled 7 billion, the total world population.[51]

Unlike a corporate image campaign that presents the brand in abstract terms with few, if any, references to specific products, ***brand line campaigns*** promote a range of products associated with a brand line. By showing consumers the different uses or benefits of the multiple products offered by a brand, brand line ads or promotions can be particularly useful in building brand awareness, clarifying brand meaning, and suggesting additional usage applications. Sometimes a brand line campaign will emphasize a common thread running through all the products for a brand, as was the case with General Mills.

As part of its "Solutionism. The New Optimism" corporate image campaign, Dow Chemical put a gigantic attention-getting chalkboard up in Manhattan.

Source: The Dow Chemical Company

GENERAL MILLS

In 2004, General Mills elected to make all its cereals with 100 percent whole grains so that each provided at least half a serving (8 grams) in every bowl. Despite the many benefits of whole grains, including lowered risks of chronic diseases such as heart disease, certain cancers, and diabetes, only 5 percent of U.S. consumers at that time got the minimum three daily servings recommended by the U.S. Dietary Guidelines for Americans. Much consumer confusion existed about what whole grains were and why it mattered. Based on research showing that consumers read their cereal boxes an average of 2.7 times, General Mills decided to promote the health benefits of 100 percent whole-grain cereal on all its product packaging, using the U.S. Department of Agriculture food guide pyramid. An advertising campaign also touted the switch to whole grains. The program met with much success, essentially adding 1.5 billion servings of whole grains to the U.S. diet each year. In 2011, General Mills partnered with Dr. Travis Stork, host of a popular daytime talk show, to donate 1 million servings of whole grain to families in need.[52]

General Mills promotes the fact that its entire line of cereals is 100 percent whole grain.

Source: Keri Miksza

Corporate Name Changes. Corporate names may have to change for many reasons, but they should be the right reasons pursued in the right way.

Rationale. A merger or acquisition is often the impetus to reevaluate naming strategies and weigh the existing and potential equity of each brand in its new context.[53]

- A new corporate name arising from a merger or acquisition may be based on some combination of two existing names, if they are strong. For example, when Glaxo Wellcome merged with SmithKline Beecham, the new company became GlaxoSmithKline. J.P. Morgan & Co. and Chase Manhattan Corporation became JP Morgan Chase after their merger. United's name was combined with Continental's globe logo when those two air carriers merged.
- If there is an imbalance in brand equity, the firm typically chooses the name with more inherent brand equity and relegates the other to a sub-brand role or eliminates it altogether. When Citicorp merged with Travelers, the latter's name was dropped, although its familiar red umbrella symbol was retained as part of the new Citigroup brand look.
- Finally, if neither name has the desired brand equity, a completely new name can signal new capabilities. When Bell Atlantic purchased GTE in 2000, the newly merged company adopted the Verizon brand name, which combined *veritas*, the Latin word for reliability, and *horizon*, which was intended to signify a forward-looking attitude.

Corporate names also change because of divestitures, leveraged buyouts, or the sale of assets. When Andersen Consulting was allowed to separate from Arthur Andersen following an arbitrator's ruling in 2000, it was required to stop using its old name by the end of the year. After an extensive naming search and rebranding project, the firm was renamed "Accenture"—an employee suggestion meant to connote an "accent on the future." Having a new name proved especially fortuitous when Arthur Andersen was convicted of obstruction of justice in 2002 in the wake of the Enron scandal and ceased to operate as a business. Some residual negative perceptions from Arthur Andersen would likely have transferred to the Andersen Consulting brand.

Corporate names can also change to correct public misperceptions about the nature of the company's business.[54] For example, Europe's third-largest food company, BSN, renamed itself for its Danone brand—a hugely successful fresh dairy products subsidiary, second only to Coca-Cola in terms of branded sales in Europe—because many consumers didn't know what the old name stood for. Moreover, BSN was already used by other companies in other countries, including a bank in Spain, a textile firm in the United States, and a television station in Japan.[55]

Significant shifts in corporate strategy may necessitate name changes. US Steel changed its name to USX to downplay the importance of steel and metal in its product mix. Allegheny Airlines changed its name to USAir when it moved from being a regional to a national carrier, and then later to USAirways when it wanted to be seen as an international carrier. Its later acquisition of America West did not require a change in strategy or implementation but brought significant logistical hurdles.

Sometimes a name change just reflects the fact that the original name wasn't all that good and probably shouldn't have been chosen to begin with.

BOLOCO

A small New England restaurant chain selling burritos, bowls, and smoothies was called The Wrap, derived from its original name, Under Wraps. In 2005, the founders felt a name change was in order because the word "wrap" had come to mean something that was typically cold, full of lettuce, and wrapped in pita bread and then cellophane, with a packet of mayonnaise and mustard on the side. The Wrap, on the other hand, had always been about hot, grilled, fresh ingredients wrapped in steamed tortillas, more like a burrito than a wrap. The new name, Boloco, and the tag line "Inspired Burritos" were much more evocative of what the chain sold. As cofounder and CEO John S. Pepper explained, "The name has a bit of a Latin flair with 'loco,' reflecting what our menu focuses on—inspired burritos. Furthermore, Boloco—Boston Local Company—is a tribute to the city of Boston and our customers who gave us a chance to be successful."

Another reason for the name change was that The Wrap was too generic to be protected legally. Boloco was not a name shared by any other entity at the time.[56]

Boloco changed its name from The Wrap to better reflect what the small New England restaurant chain actually sold.

Source: © Boloco. Used with kind permission.

Finally, the desire to create distance from scandal can also motivate a name change. A new name cannot repair a company's damaged reputation, though, and experts advise against making a switch in the midst of bad publicity; otherwise the stigma and suspicion will follow the new name. Philip Morris Co. decided to change its name to get away from its association with tobacco and emphasize its range of companies, including Kraft Foods, so in 2003, it adopted the new name Altria Group Inc. After its name was tarnished by human rights violations, military support firm Blackwater changed its name to Xe in 2007 and then again to Academi in 2011.[57]

Guidelines. Although renaming can yield growth opportunities, experts recommend a cautious approach. Name changes are typically complicated, time-consuming, and expensive and firms should undertake them only when compelling marketing or financial considerations prevail and a proper supporting marketing program can be put into place. A new corporate name cannot hide product or other deficiencies, and it requires extensive legal and URL vetting to make sure it is available and appropriate. Rebranding campaigns also usually forfeit the brand recognition and loyalty attached to the old name.

Many of the branding issues we discussed in Chapter 4 are relevant in choosing or changing a corporate name. Given the corporate branding strategy and marketing objectives, firms should evaluate candidate names in terms of memorability, meaningfulness, likability, protectability, adaptability, and transferability. If the consumer market is the primary objective, the name may reflect or be suggestive of certain product characteristics, benefits, or values. Consolidated Foods Corporation switched to Sara Lee Corporation, Castle & Cooke, Inc. to Dole Food Company, and United Brands Company to Chiquita Brands International.

Once the firm has chosen the new name, the substantial task of introducing it to employees, customers, suppliers, investors, and the public begins—often with the launch of a new marketing campaign and the opportunity to work with a blank canvas. Corporate rebranding is a time- and resource-intensive process that demands a company's total commitment to succeed. A company with little consumer exposure may spend as much as $5 million on research, advertising, and other marketing costs (new signs, stationery, business cards, Web site, and so on) to change its identity, but a company with a high public profile may have to spend up to $100 million or more.[58]

Macy's moved too quickly in rebranding beloved Chicago department store Marshall Fields after its acquisition, raising the ire of many of its former customers.

Source: Tim Boyle/Getty Images

It is important not to move too fast in rebranding. In updating brand architecture in any way, the goal is to at least preserve if not actually enhance brand equity as much as possible. Here are two companies that got ahead of themselves in their brand makeovers.

- As part of its strategy to become more of a national retailer, Macy's acquired May Department Stores and Chicago retailing icon Marshall Field's in August 2005. The Marshall Field's flagship building on State Street, built in 1892 and covering a full city block, was designated a National Historic Landmark in 1978. The department store occupied 8 of its 12 floors, and generations of Chicagoans had shopped there. When Macy's almost immediately rebranded the store as Macy's, replacing Marshall Field's famous awnings, signage, and green shopping bags, a consumer uproar ensued. It took years for protests to die down.[59]
- When online retailer Overstock.com rebranded itself as O.co in June 2011, the company revamped its Web site and changed its advertising and sponsorship to reflect the new name. Unfortunately, many consumers began mistakenly going to the O.com Web site, which was *not* owned by the company. After six months, the company decided to return to Overstock.com on its Web site, in online ads, and in new TV ads "for now," though not abandoning O.co outright. The O.co name was to still be used internationally, on mobile efforts, and on the Oakland NFL stadium sign. "We were going too fast, and people were confused, which told us we didn't do a good job," President Jonathan Johnson admitted.[60]

Initial reaction to rebranding is almost always negative, simply because people resist change. Sometimes, however, an especially harsh reception will cause a firm to abandon a new name. As Royal Mail began to distance itself a bit from the UK government, which owned a majority share, it tried to adopt a new name, Consignia. A public outcry ensued, and within a matter of months, the name was changed back to the original.[61] PriceWaterhouseCoopers tried to spin off its consulting unit to a new firm called Monday. The name was widely mocked, and within nine months the group was sold off and absorbed into IBM. The name change and branding were largely blamed for Monday's lack of success.[62]

When UAL, the parent company of United Airlines, decided a new name was necessary to reflect the one-stop travel options that resulted from its acquisitions of Hertz car rental and Westin and Hilton International hotels, it chose the name "Allegis," a compound of "allegiance" and "aegis." Public reaction was decidedly negative. Critics maintained that the name was difficult to pronounce, sounded pretentious, and had little connection with travel services. Donald Trump, formerly a major UAL shareholder, said the new name was "better suited to the next world-class disease." After six weeks and $7 million in research and promotion expenditures, the company decided to shed its car rental and hotel businesses and rename the surviving company United Airlines, Inc.[63]

Over time, though, if properly chosen and handled, new names gain familiarity and acceptance. Guidelines that encourage uniformity and consistency in the brand's appearance and usage help make the implementation effective; these rules should be part of a revised brand charter (see Chapter 8).

BRAND ARCHITECTURE GUIDELINES

Brand architecture is a classic example of the "art and science" nature of marketing. It is important to establish rules and conventions and be disciplined and consistent. Yet at the same time, it is also important to be flexible and creative. There rarely are pure solutions to a brand architecture challenge, and no uniform agreement exists on the one type of branding strategy that all firms should adopt for all products. Even within a firm hybrid strategies often prevail, and marketers may adopt different branding strategies for different products.

For example, although Miller has long used its name across its different types of beer, with various sub-brands like Miller High Life, Miller Lite, and Miller Genuine Draft, it carefully branded its no-alcohol beer substitute as Sharp's, its ice beer as Icehouse, and its low-priced beer as Milwaukee's Best, with no overt Miller identification. The assumption was that the corporate family brand name would not be relevant to or valued by the target market in question.

The brand hierarchy may not be symmetric. Corporate objectives, consumer behavior, or competitive activity may sometimes dictate significant deviations in branding strategy and the way the brand hierarchy is organized for different products or for different markets.

Brand elements may receive more or less emphasis, or not be present at all, depending on the particular products and markets. For example, in an organizational market segment where the DuPont brand name may be more valuable, that element might receive more emphasis than associated sub-brands. In appealing to a consumer market segment, a sub-brand such as Teflon may be more meaningful; thus it received relatively more emphasis when DuPont is targeting that market. (See Figure 11-10.)

In evaluating a brand architecture strategy, we should ask a number of questions, such as:

- For the brand portfolio, do all brands have defined roles? Do brands collectively maximize coverage and minimize overlap?
- For the brand hierarchy, does the brand have extension potential? Within the category? Outside the category? Is the brand overextended?
- What positive and negative brand equity implications will transfer from the parent brand to individual products? What feedback exists from the individual products to the parent brands in turn?
- What profit streams result from different branding arrangements? How much revenue does each brand generate? At what cost? What other cross-selling opportunities exist between brands?

In answering these questions and in devising and implementing the optimal brand architecture strategy, marketers should keep the following five guidelines in mind.

1. ***Adopt a strong customer focus***. Recognize what customers know and want, and how they will behave.
2. ***Create broad, robust brand platforms***. Strong umbrella brands are highly desirable. Maximize synergies and flow.
3. ***Avoid overbranding and having too many brands***. High-tech products, for example, are often criticized for branding every ingredient so the overall effect is like a NASCAR race car with logos and decals everywhere.

FIGURE 11-10
DuPont "Product-Endorsed" Business Strategy
Source: Courtesy of DuPont

4. ***Selectively employ sub-brands***. Sub-brands can communicate relatedness *and* distinctiveness and are a means of complementing and strengthening brands.
5. ***Selectively extend brands***. As Chapter 12 explains, brand extensions should establish new brand equity and enhance existing brand equity.

REVIEW

A key aspect of managing brand equity is adopting the proper branding strategy. Brand names of products typically consist of a combination of different names and other brand elements. A brand architecture strategy for a firm identifies which brand elements a firm chooses to apply across the various products or services it sells. Several tools aid in developing a brand architecture strategy. Combining the brand–product matrix, the brand portfolio, and the brand hierarchy with customer, company, and competitive considerations can help a marketing manager formulate the optimal brand architecture strategy.

The brand–product matrix is a graphical representation of all the firm's brands and products, with brands as rows and the corresponding products as columns. The rows represent brand–product relationships and capture the firm's brand extension strategy. Marketers should judge potential extensions by how effectively they leverage existing brand equity to a new product, as well as how effectively the extension, in turn, contributes to the equity of the existing parent brand. The columns of the matrix represent product–brand relationships and capture the brand portfolio strategy in terms of the number and nature of brands to be marketed in each category.

We characterize a brand architecture strategy according to its breadth in terms of brand–product relationships and brand extension strategy, and its depth in terms of product–brand relationships and the brand portfolio or mix. Breadth describes the product mix and which products the firm should manufacture or sell. Depth deals with the brand portfolio and the set of all brands and brand lines that a particular seller offers.

A firm may offer multiple brands in a category to attract different—and potentially mutually exclusive—market segments. Brands also can take on very specialized roles in the portfolio: as flanker brands to protect more valuable brands, as low-end entry-level brands to expand the customer franchise, as high-end prestige brands to enhance the worth of the entire brand line, or as cash cows to milk all potentially realizable profits. Companies must be careful to understand exactly what each brand should do for the firm and, more important, what they want it to do for the customer.

A brand hierarchy reveals an explicit ordering of all brand names by displaying the number and nature of common and distinctive brand name elements across the firm's products. By capturing the potential branding relationships among the different products sold by the firm, a brand hierarchy graphically portrays a firm's branding strategy. One simple representation of possible brand elements and thus of potential levels of a brand hierarchy is (from top to bottom): corporate (or company) brand, family brand, individual brand, and modifier.

In designing a brand hierarchy, marketers should define the number of different levels of brands (generally two or three) and the relative emphasis that brands at different levels will receive when combined to brand any one product. One common strategy to brand a new product is to create a sub-brand, combining an existing company or family brand with a new individual brand. When marketers use multiple brand names, as with a sub-brand, the relative visibility of each brand element determines its prominence. Brand visibility and prominence will depend on factors such as the order, size, color, and other aspects of the brand's physical appearance. To provide structure and content to the brand hierarchy, marketers must make clear to consumers the specific means by which a brand applies across different products and, if different brands are used for different products, the relationships among them.

In designing the supporting marketing program in the context of a brand hierarchy, marketers must define the desired awareness and image at each level of the brand hierarchy for each product. In a sub-branding situation, the desired awareness of a brand at any level will dictate the relative prominence of the brand and the extent to which associations linked to the brand will transfer to the product. In terms of building brand equity, we should link associations at any one level based on principles of relevance and differentiation. In general, we want to create associations relevant to as many brands nested at the level below as possible and to distinguish any brands at the same level.

Corporate or family brands can establish a number of valuable associations to differentiate the brand, such as common product attributes, benefits, or attitudes; people and relationships; programs and values; and corporate credibility. A corporate image will depend on a number of factors, such as the products a company makes, the actions it takes, and the manner in which it communicates to consumers. Communications may focus on the corporate brand in the abstract or on the different products making up the brand line. Any corporate name changes and rebranding efforts need to be done carefully.

An area of increasing importance for many brands is corporate social responsibility. Firms are becoming more aware of the environmental, economic, and social impact of their words and actions. Many now employ cause-marketing programs designed to align their brands with a cause of importance to their customers. Many consumers are also becoming much more aware of the environmental aspect of the products and services of a firm and how they are produced and disposed.

DISCUSSION QUESTIONS

1. Pick a company. As completely as possible, characterize its brand portfolio and brand hierarchy. How would you improve the company's branding strategies?
2. Do you think the Dow Chemical corporate image campaign described in this chapter will be successful? Why or why not? What do you see as key success factors for a corporate image campaign?
3. Contrast the branding strategies and brand portfolios of market leaders in two different industries. For example, contrast the approach by Anheuser-Busch and its Budweiser brand with that of Kellogg in the ready-to-eat cereal category.
4. What are some of the product strategies and communication strategies that General Motors could use to further enhance the level of perceived differentiation between its divisions?
5. Consider the companies listed in Branding Brief 11-3 as having strong corporate reputations. By examining their Web sites, can you determine why they have such strong corporate reputations?

BRAND FOCUS 11.0

Cause Marketing

The 1980s saw the advent of cause marketing. Formally, cause-related (or cause) marketing has been defined as "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives."[64] As Varadarajan and Menon note, the distinctive feature of cause marketing is the link between the firm's contribution to a designated cause and customers' engaging in revenue-producing transactions with the firm.

Advantages of Cause Marketing

One reason for the rise in cause marketing is the positive response it elicits from consumers.[65] Cone Communications, one of the leading firms advising companies on cause-related marketing, found convincing evidence in its 2011 Cone/Echo Global CR Opportunity Study:[66]

- 81 percent of consumers say companies have a responsibility to address key social and environmental issues beyond their local communities.
- 93 percent of consumers say companies must go beyond legal compliance to operate responsibly.
- 94 percent of consumers say companies must analyze and evolve their business practices to make their impact as positive as possible.
- 94 percent would buy a product that has an environmental benefit; 76 percent have already purchased an environmental product in the past 12 months.
- 93 percent would buy a product associated with a cause; 65 percent have already purchased a cause-related product in the past 12 months.

Cause or corporate societal marketing (CSM) programs offer many potential benefits to a firm:[67]

- *Building brand awareness:* Because of the nature of the brand exposure, CSM programs can be a means of improving recognition for a brand, although not necessarily recall. Like sponsorship and other indirect forms of brand-building communications, most CSM programs may be better suited to increasing exposure to the brand rather than to tying the brand to specific

consumption or usage situations, because it can be difficult or inappropriate to include product-related information. At the same time, repeated or prominent exposure to the brand as a result of the CSM program can facilitate brand recognition.

- *Enhancing brand image:* Because most CSM programs do not include much product-related information, we would not expect them to have much impact on more functional, performance-related considerations. On the other hand, we can link two types of abstract or imagery-related associations to a brand via CSM: user profiles—CSM may allow consumers to develop a positive image of brand users to which they also may aspire in terms of being kind, generous, and doing good things; and personality and values—CSM could clearly bolster the sincerity dimension of a brand's personality such that consumers would think of the people behind the brand as caring and genuine.
- *Establishing brand credibility:* CSM could affect all three dimensions of credibility, because consumers may think of a firm willing to invest in CSM as caring more about customers and being more dependable than other firms, at least in a broad sense, as well as being likable for "doing the right things."[68] Whirlpool generated much goodwill with its "More Than Houses" cause program with Habitat for Humanity, in which it donated a range and refrigerator for each new home built.
- *Evoking brand feelings:* Two categories of brand feelings that seem particularly applicable to CSM are social approval and self-respect. In other words, CSM may help consumers justify their self-worth to others or to themselves. CSM programs may need to provide consumers with external symbols to explicitly advertise or signal their affiliation to others—for example, bumper stickers, ribbons, buttons, and T-shirts. They can also give people the notion that they are doing the right thing and should feel good about themselves for having done so. External symbols in this case may not be as important as the creation of "moments of internal reflection" during which consumers are able to experience these feelings. Communications that reinforce the positive outcomes associated with the cause program—and how consumer involvement contributed to that success—could help trigger these types of experiences. To highlight the consumer contribution, it may be necessary to recommend certain actions or outcomes such as having consumers donate a certain percentage of income or a designated amount.
- *Creating a sense of brand community:* CSM and a well-chosen cause can serve as a rallying point for brand users and a means for them to connect to or share experiences with other consumers or employees of the company itself.[69] One place where communities of like-minded users exist is online. Marketers may be able to tap into the many close-knit online groups that have sprung up around cause-related issues (for instance, medical concerns such as Alzheimer's disease, cancer, and autism). The brand might even serve as the focal point or ally for these online efforts to be seen in a more positive light.
- *Eliciting brand engagement:* Participating in a cause-related activity as part of a CSM program for a brand is certainly one means of eliciting active engagement. As part of any of these activities, customers themselves may become brand evangelists and ambassadors and help communicate about the brand and strengthen the brand ties of others. A CSM program of "strategic volunteerism," whereby corporate personnel volunteer their time to help administer the nonprofit program, could actively engage consumers with both the cause and the brand.

Perhaps the most important benefit of cause-related marketing is that by humanizing the firm, it may help consumers develop a strong, unique bond with the firm that transcends normal marketplace transactions. A striking success story is McDonald's, whose franchises have long been required to stay close to their local communities. Ronald McDonald House Charities provides comfort and care to sick children and their families by supporting over 300 Ronald McDonald Houses and 45 Ronald McDonald Care Mobiles in communities around the world and by making grants to other not-for-profit organizations whose programs help children in need. Ronald McDonald Houses effectively leverage the company's Ronald McDonald character and its identification with children to concretely symbolize the firm's "do-good" efforts. This well-branded cause program enhances McDonald's reputation as caring and concerned for customers.[70]

Designing Cause-Marketing Programs

Cause marketing comes in many forms related to education, health, the environment, the arts, and so on. Some firms have used cause marketing very strategically to gain a marketing advantage.[71] Toyota has run corporate advertising for years—most recently its "Moving Forward" campaign—showing it has roots in local U.S. communities. For Toyota, this campaign may go beyond cause marketing to become a means to help create a vital point-of-parity with respect to domestic car companies on "country of origin."

A danger is that the promotional efforts behind a cause-marketing program could backfire if cynical consumers question the link between the product and the cause and see the firm as self-serving and exploitive as a result. To realize brand equity benefits, firms must brand their cause-marketing efforts in the right manner. In particular, consumers must be able to make some kind of connection from the cause to the brand.[72]

The hope is that cause marketing strikes a chord with consumers and employees, improving the image of the company and energizing these constituents to act. With near-parity products, some marketers feel that a strongly held point-of-difference on the basis of community involvement and concern may in some cases be the best way—and perhaps the only way—to uniquely position a product. Two highly successful cause programs are associated with breast cancer:

- *The Avon Breast Cancer Crusade:* Founded in 1993, the Avon Breast Cancer Crusade is a U.S. initiative of Avon Products, Inc. Its mission has been to provide women, particularly those who are medically underserved, with direct access to breast cancer education and early-detection screening services such as mammograms and clinical breast exams. In the United States, Avon is the largest corporate supporter of the breast cancer cause, generating some $740 million in the first 19 years of its existence and donating it around the world. The Crusade raises funds to accomplish this mission in two ways: through the sale of special fund-raising (pink ribbon) products by Avon's nearly 6.5 million independent sales representatives worldwide, and through fund-raising walks. In the United States, the Avon Walk for Breast Cancer 2-Days, a series of two-day, 30-mile fund-raising walks in major cities nationwide, attracts thousands of participants. The Crusade has linked more than 15 million women to early-detection programs and provided $25 million for 41 research projects.[73]
- *Yoplait Save Lids to Save Lives*: Yoplait yogurt is the biggest-selling yogurt in the United States and accounted for $1.1 billion of parent company General Mills's $11.2 billion in

General Mills' "Save Lids to Save Lives" cause campaign has been a win-win success for raising funds for breast cancer research and for building the Yoplait brand.

Source: ©2012 YOPLAIT USA, INC. Yoplait and Save Lids to Save Lives are registered trademarks of YOPLAIT Marques Internationales SAS (France) used under license. ©2012 Susan G. Komen for the Cure®. Used with kind permission.

sales in 2010. General Mills started the the highly successful Save Lids to Save Lives cause-marketing program for Yoplait in 1998. For each pink lid customers redeem online or through the mail from September through December each year, Yoplait donates 10 cents to Susan G. Komen for the Cure, up to $2 million. Yoplait is also the National Series Presenting Sponsor of the Susan G. Komen Race for the Cure. The program's Web site allows participants to share stories, make dedications, and learn more about breast cancer. The program raised over $30 million in its first 13 years, boosting Yoplait sales in the process.[74]

Green Marketing

A special case of cause marketing is ***green marketing***. Although environmental issues have long affected marketing practices, especially in Europe, companies are increasingly recognizing that the environment is an important issue to their customers and shareholders and, therefore, to their bottom lines. Research shows the environment is one of the top five issues that youth care most about.

One survey revealed that two-thirds of leaders of major brands believe sustainability initiatives were critical to stay competitive. Firms like Kimberly-Clark, HP, and GE stated that it was a key priority. "For us now, it's about looking at the full spectrum of sustainability," said one senior executive at Kimberly-Clark, who noted the firm is seeking to generate 25 percent of 2015 net sales from sustainable products in its fast-moving consumer goods (FMCG) group.[75] Here is what GE is doing.

GE

Despite its industrial past, GE views eco-friendly products as a high-growth business. Spurred by environmental concerns voiced by its customers, GE and CEO Jeffrey Immelt launched Ecomagination in 2005, the name of which is a play on its ongoing corporate campaign "Imagination at Work." The initiative focused on how to effectively and efficiently "create, connect to, and use power and water" and committed $1.5 billion in annual investment to research and technology into cleaner technologies. Some of its goals were to double GE revenue from sales of products and services that provide environmental advantages, and to reduce greenhouse gas emissions and improve the energy efficiency of operations. GE built an Ecomagination advertising campaign that targeted business-to-business customers, investors, employees, and consumers. In a 2011 letter to investors, customers, and other stakeholders to mark its progress, the company was able to note these achievements in the first five years of the program:

- **$5 billion** of clean-tech research and development
- **$85 billion** in revenue from Ecomagination products and solutions
- **22 percent** reduction in greenhouse gas emissions
- **30 percent** reduction in water use
- **$130 million** in energy efficiency savings

GE also launched a Smart Grid initiative—"a vision for a smarter, more efficient, and sustainable electrical energy grid that GE technology is helping to bring to life."[76]

On the corporate side, a host of marketing initiatives have been undertaken by a wide variety of firms with environmental overtones. The auto industry is responding to the dual motivators of concerned consumers and rising oil prices by introducing gas-saving and emission-reducing hybrid models. McDonald's has introduced a number of well-publicized environmental initiatives through the years, such as moving to unbleached paper carry-out bags and replacing polystyrene foam sandwich clamshells with paper wraps and lightweight recyclable boxes.

From a branding perspective, however, green marketing programs have not always been entirely successful.[77] What obstacles have they encountered?

Overexposure and Lack of Credibility. So many companies have made environmental claims that the public has sometimes become skeptical of their validity. What does it mean when a product claims it is "organic," "fair trade," or "eco-friendly?" Government investigations into some "green" claims, like the degradability of trash bags, and media reports of the spotty environmental track records behind others have only increased consumers' doubts. This backlash has led many consumers to consider environmental claims to be marketing gimmicks.

Efforts to provide consumers with more information have sometimes only complicated the situation. Hundreds of different product labels have been introduced, for instance. Seeking to serve as an environmental leader, Walmart announced a Sustainability Index in 2009 to grade suppliers and products on

a range of environmental and sustainable factors. The company found it hard to actually implement such a formal rating, however, and later announced it was committed only to providing more product information to consumers.[78]

The challenge is that producing and consuming products always requires trade-offs—all products, regardless of how "green" they appear or claim to be, affect the environment in some way. To understand the full environmental impact of any one product, we need to understand the entire production and consumption process, from raw material inputs to ultimate disposal.

And the results of "green" actions are not always obvious. Gary Hirshberg, founder and CEO of Stonyfield Farm, notes that although many see the use of recyclable packaging as environmentally friendly, Stonyfield further reduced its carbon footprint by switching to yogurt cups that were *not* recyclable, and meant to be thrown away. These cups, made from plants that are disposed into landfills, generate far fewer greenhouse gas emissions than recycled plastic containers.

Similarly, when Patagonia examined the environmental impact of the fibers in its outdoor apparel lines, it found the most harmful one was cotton—not petroleum-based synthetics—because growing cotton requires the use of pesticides. The company switched to organic cotton, but that has its own drawbacks because it uses so much water. Manufacturing a single pair of jeans can require 1,200 gallons of water![79]

Deciphering environmental claims is thus very tricky. To help provide some clarity, the U.S. government has stepped in and demanded that companies be more specific and substantiate environmental claims. A "recycled" claim must specify how much of the product or package is recycled and whether it is "postconsumer" (previously used goods) or "preconsumer" (manufacturing waste). The Federal Trade Commission (FTC) is leading the charge, cracking down on vague, unsubstantiated claims by requiring independent product testing. For example, firms cannot use the government's Energy Star logo on their products unless third-party testing proves they are more efficient than comparable regular products.[80]

Consumer Behavior. Like many well-publicized social trends, corporate environmental awareness is often fairly complex in reality and does not always fully match public perceptions. Several studies help put consumer attitudes toward the environment in perspective.

Although consumers often assert that they would like to support environmentally friendly products, their behavior doesn't always match their intentions.[81] In most segments, they appear unwilling to give up the benefits of other options to choose green products. For example, some consumers dislike the performance, appearance, or texture of recycled paper and household products. Others are unwilling to give up the convenience of disposable products like diapers.

Poor Implementation. In jumping on the green marketing bandwagon, many firms initially did a poor job. Products were poorly designed, overpriced, and inappropriately promoted. Once product quality improved, advertising sometimes still missed the mark, being overly aggressive or not compelling. One research study found that assertive environmental messages were most effective for important environmental causes; otherwise, a softer touch was more beneficial.[82]

Possible Solutions. The environmental movement in Europe and Japan has a longer history and firmer footing than in the United States. In Europe, many of Procter & Gamble's basic household items, including cleaners and detergents, are available in refills that come in throw-away pouches. P&G says U.S. customers probably would not take to the pouches. In the United States, firms continue to strive to meet the wishes of consumers concerning the environmental benefits of their products, while maintaining necessary profitability.

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