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Brands and Branding

Branding has become one of the most important aspects of business strategy. Yet it is also one of the most misunderstood. Branding is sometimes considered to be merely an advertising function. And many managers and business writers hold the view that branding is about the management of product image, a supplementary task that can be isolated from the main business of product management. This note provides an alternative perspective, arguing that:

Branding is a strategic point of view, not a select set of activities.

Branding is central to creating customer value, not just images.

Branding is a key tool for creating and maintaining competitive advantage.

Brands are cultures that circulate in society as conventional stories.

Effective brand strategies must address the four distinct components of brand value.

Brand strategies must be "engineered" into the marketing mix.

This note develops a set of concepts and frameworks to guide the design of brand strategies.

From Value Proposition to the Brand

Marketing strategies begin with the *value proposition*: the various types and amounts of value that the firm wants customers to receive from the market offering. The value proposition is value as perceived by the firm, value that the firm seeks to "build" into the product. In marketing, the value proposition is sometimes referred to as the positioning statement. Common wisdom in business often assumes that product value as measured by the firm and product value as experienced by the customer are identical. If the firm builds a better product, customers will experience it as such. Marketing makes a crucial break with this assumption. Marketing emphasizes that customer value is perceptual, never objective fact. Value is shaped by the subjective understandings of customers, which often have little to do with what the firm considers to be the "objective" qualities of the product. The brand is the product as it is experienced and valued in everyday social life. The verb "to brand" refers to all of the activities that shape customer perceptions, particularly the firm's activities. Branding, then, is a *management perspective* that focuses on shaping the perceived value of the product as found in society.

Brand Cultures

Think of the brand as the *culture of the product*. We can borrow from the disciplines of anthropology, history, and sociology to understand products as *cultural artifacts*. Products acquire meanings—connotations—as they circulate in society. Over time, these meanings become conventional, widely accepted as "truths" about the product. At this point, the product has acquired a culture.

Consider a new product that has just been introduced by a new company. While the product has a name and a trademarked logo, and perhaps other unique design features—all aspects that we intuitively think of as "the brand"—in fact the brand does not yet exist. Names and logos and designs are the material markers of the brand. But, because the product does not yet have a history, these markers are "empty." They are devoid of meaning. Now think of famous brands. They have markers also: a name (McDonald's, IBM), a logo (the Nike "swoosh," the Traveler's umbrella), a distinctive product design feature (Harley's engine sound), or any other design element that is uniquely associated with the product. What is different is that these markers have been filled with customer experiences, with advertisements, with films and sporting events that used the brand as a prop, with magazines and newspaper articles that evaluate the brand, with conversations with friends and colleagues that mention the brand. Over time, ideas about the product accumulate and "fill up" the brand markers with meaning. A brand culture is formed. Let us consider how this happens.

Four Authors

Brand cultures accumulate as various "authors" create stories that involve the brand. Brands have four primary types of authors: companies, popular culture, influencers, and customers.

Companies ADVANCE \r12 The firm shapes the brand through all of its product-related activities that "touch" customers. All elements of the marketing mix—product, communication, channels, and pricing policies—can potentially "tell stories" about the product. We will take up the firm's authoring role in considerable detail below.

Popular culture ADVANCE \r12 Products are a prominent part of the world in which we live. As such, they are frequently used as props in films, television, books, magazines, on the Internet, across all mass media. These representations can have a powerful influence on brands. Popular culture can comment on brands directly—as when a talk show host like David Letterman spoofs an advertisement or when a product becomes a news story, such as when Firestone tires were recalled. Alternatively, brands can be used as props in entertainment products such as films—as with Reese's Pieces in *E.T.* and Pepsi in *Wayne's World*. For nearly a century, companies have sought to manage how their brands are presented in the media, through public relations efforts and paid sponsorships.

Customers ADVANCE \r12 Customers help to author the brand culture as they consume the product. As they interact with the product, customers create consumption stories involving the product, which they often share with friends.

Influencers ADVANCE \r12 In many categories, noncustomers' opinions are influential. Think of trade magazine reviews, the opinions offered by mavens and connoisseurs during work and leisure gatherings, and the opinions offered by retail salespeople.

Of course, the stories circulated by these four authors interact, often in complex ways. Customers watch ads and listen to influencers as they use the product. The media monitor how customers use the product and consider this in how they represent the product. In fact, the quantity and complexity of these interactions mean that isolating the influence of each author is usually quite difficult.

Source: Casewriter.

Stories, Images, and Associations

The cultural materials circulated by these authors come in three forms: stories, images, and associations. Stories and images are the more potent sources of brand culture. Brand stories and images have plots and characters, and they rely heavily upon metaphor to communicate and spur our imaginations. Think of brand associations as the residue of these stories and images. We may forget the specifics of a product story but still attribute some characteristics to the brand ("it's for old people," "often falls apart," etc.).

As these stories, images, and associations collide in everyday social life, conventions eventually form. A common story emerges as a consensus view (or, often enough, a few different common stories, each of which constitutes a customer segment for the brand). At this point the brand has become established as a cultural artifact. Marketers often think of branding at the individual level as perceptions of individual consumers. But what makes branding so powerful is the collective nature of these perceptions, the fact that the stories/images/ associations have become conventional and so are continually reinforced because they are treated as "facts" in everyday interactions.

A Perceptual Frame Structuring Product Experiences

It is common in marketing to think of the brand as an image, as the "frosting on the cake" above and beyond the "actual" value delivered by the product. This intuition distorts how brands create value. Rather, a brand culture acts as *a perceptual frame* through which customers understand, value, and experience the product. Customers never experience products objectively. Rather, the brand culture acts as a frame, shaping how their senses (see, hear, touch, feel, smell) experience the product. Brand cultures can have a powerful influence on sensory appeal (e.g., how products taste), on the emotions one feels when consuming, and on the remembered satisfactions of the experience.

Brands and Competitive Advantage

Branding is a potent means to establish competitive advantage. The brand culture concept helps us see why this is so. Brand cultures are "sticky." Once they have accepted them as conventional wisdom, people are usually reluctant to abandon the conventions of the brand culture. Unless they have product experiences or encounter brand stories that profoundly contradict conventions, people are usually happy to maintain the taken-for-granted understandings of the brand. In addition to the stickiness of taken-for-granted understandings, there are two reasons for this durability.

Psychological research demonstrates that brand cultures are durable because people are cognitive misers. Because we are so overloaded with information—far more information than we can reasonably digest even if we wanted to—we rely upon a variety of heuristics to simplify the world. We seek ways to minimize the amount of thinking and searching that we must do to make good decisions.

Brand cultures work as one such heuristic. Once we determine that the conventional wisdom of a brand culture "works" for us (e.g., a detergent whose conventional brand story is that it performs great in all temperatures seems to do so), we are not interested in seeking out new information that would contradict this assumption. The heuristic provided by the brand works well, so we go on using it.

Sociological research demonstrates another reason why brand cultures are durable. Brand cultures are shared by many people and expressed in a variety of contexts (talk, product experiences, ads, and so on). Brand cultures are maintained as the brand's stories, images, and associations pulse through these networks. Hence, it is quite difficult for an individual to opt out of the conventional wisdom of a brand culture and assign the brand alternative meanings. Just as brand cultures are formed collectively, to decommission a brand is also a collective decision. Because of this network effect, brand meanings maintain a tenacious hold until a critical mass of customers and influencers join together to transform conventions.

Powerful brand cultures provide competitive advantage not only with respect to consumers but also in negotiations with channel partners. A strong brand culture gives the firm considerable leverage in configuring channel policies and provides leverage in negotiating with retailers.

The Four Components of Brand Value

Brand cultures can greatly enhance customer value. If we conduct a thought experiment, we can imagine the value of a brand as the difference between what a consumer will pay for a branded product (a product experienced through the lens of its brand culture) and a physically identical product without the culture. This difference can be decomposed into four dimensions, which, together, constitute the value added by the brand. The four components each have a strong base of research in academic disciplines that inform marketing. Each of these four components accumulates through the stories, images, and associations of the brand culture.

Reputation Value: Brand Cultures Shape Perceived Product Quality

From an economic point of view, brands serve as containers of reputation. Products have tangible features that deliver on utilitarian goals: flights are on time, fabrics clean easily, tools never break down. Customers take on risk when they purchase products, particularly products that will be used into the future and products for which quality cannot be reliably evaluated upon inspection before purchase. Sometimes the risk is huge: for consumers, consider the purchase of an automobile or an HMO policy; for business to business (B2B), consider the purchase of a mission-critical software program. Customers, to varying degrees, get added value from products that lower the risks of future performance failures. So when there is risk inherent in a product, customers are usually willing to pay to reduce risk. The brand operates as a signaling mechanism to increase customers' confidence that the product will provide excellent quality and reliability on important functions. The history of product experiences—both successes and failures—is spread in stories and aggregates to form part of the brand culture.

Relationship Value: Brand Cultures Shape Relationship Perceptions

Brands also communicate that the firm producing the product can be trusted to act as a long-term partner that will flexibly respond to future customer needs. For many products, especially in B2B and in services, customer uses and needs cannot be fully anticipated (and so built into a contract) at the time of purchase. For these products, research in economic sociology has demonstrated that a significant aspect of product value is the perception that the firm will respond as desired to uncontracted future contingencies. The brand is, once again, the material marker that "contains" stories conveying that the firm can be trusted to deliver on these future contingencies. Relationship value accumulates as particular stories, images, and associations that circulate around the product become conventional, taken for granted. For example, if a story that "IBM consultants would rather miss their own wedding than fail to respond immediately to IT failures" becomes a widely accepted part of IBM's brand culture, social value increases. Customers assume, *a priori*, without any particular evidence, that IBM will go the extra mile to make sure that its IT solutions always function as desired.

Experiential Value: Brand Cultures Frame Consumer Experiences

From a psychological perspective, the brand acts as a perceptual frame that highlights particular benefits delivered by the product. This framing guides consumers in choosing products and also shapes their product experiences. The heuristic value of the brand provides for considerable savings in search costs and in the need to continually process information to make effective choices. Hence, firms often seek to brand their products as particularly effective in delivering on a single benefit desired by customers. A classic example comes from Procter & Gamble's lineup of detergent brands, each of which is framed to consumers as designed to solve a particular cleaning problem (all-temperature cleaning, removing tough stains, etc.).

Experiential framing relies upon consumers who are cognitive misers, uninterested in investigating the technical supporting evidence for how brands are framed. As a result, branding efforts that frame benefits can sometimes tread in a gray area between adding customer value and manipulating customers' uses of heuristic thinking. For example, Winston cigarettes were effectively reframed by removing a few chemicals used in processing the tobacco and then pronouncing via advertising that the cigarettes were "100% natural." While the removal of the chemicals used to process the tobacco did nothing to the cigarette's carcinogenic properties, the framing of the brand as 100% natural made a dangerous product seem a little less dangerous, and sales shot up. Similarly, consider how Intel's "Intel Inside" campaign was able to create the perception that CPUs were the most important component of the computer and also that there were significant differences in performance and reliability across chips.

Symbolic Value: Brand Cultures Express Values and Identities

Brands also act as symbols that express values and identities. Historically, humans have depended upon their material culture (clothes, homes, craft goods, public monuments, religious icons) to serve as concrete markers of values and identities. In contemporary market economies, consumer goods now dominate in serving this function (hence the term "consumer culture"). In particular, brands have become powerful markers to express statuses, lifestyles, politics, and a variety of aspirational social identities. Consider, for instance, how Nike became a powerful marker for American ideals of achievement and perseverance in the 1990s. Or how Apple became a symbol for the rebellious, creative, libertarian values associated with New Economy professionals. When symbolic value becomes conventionalized in a brand culture, it often exerts a powerful halo effects on the other dimensions of brand value. For example, when Budweiser's *Lizards* ad campaign created powerful symbolic value for the brand, Bud drinkers reported that the beer tasted better.

Customers get three types of symbolic value from brands: they viscerally experience desired values and identities when they consume the brand (what anthropologists call *ritual action*); they use the brand symbol to create social distinction, to make status claims; and they use the brand symbol to forge solidarity and identification with others. On rare occasions, brands serve as the center of communities. This extreme case of the solidarity effect has been considerably overstated and glamorized in marketing circles of late. Imitating

Harley-Davidson is not a good idea for the vast majority of brands.

Source: Casewriter.

Most brand cultures are made up of several, or even all, of these four components (consider, for example, an Apple computer). However, often one component will be the primary driver, accounting for the brand's success versus competitors. The relative importance of each component will vary by society, product category, segment, and brand. While it is useful to break up brand value into these four discrete parts for strategic purposes, customers rarely experience the brand in this way. Rather, the components are overlapping and interdependent inferences that customers draw from the brand culture. The most successful brand cultures, then, offer a single coherent story where the components work together in a synergistic fashion so that the whole is greater than the sum of the parts.

Designing Brand Strategy

Brand strategy is a key part of the overall marketing strategy. Brand strategies deliver on business goals by enhancing the brand culture. Because brands, business contexts, and corporate goals vary so much, there are no universal rules for designing brand strategies. Rather, a systematic four-step process can be used to tailor strategies to respond appropriately to the specifics of the context:

Step 1: Identify goals that branding can address

Brand strategies are appropriate when the business goal can be achieved by enhancing perceived product value. Identify the key business goals for the product and ask: *Is this goal amenable to branding?* Not all goals demand a branding solution. While branding is often a central component of an effective marketing strategy, there are a number of business issues for which branding is not particularly relevant. If a product is trapped in a weak position in a value chain, there is little that branding can do to resolve such a difficulty. Since branding requires changing shared conventions, it is necessarily a long-term project. And, so, branding is not usually a good tool to achieve short-term sales goals. Conversely, it is also important to consider whether nonbranding strategies (e.g., lowering cost to serve, pursuing price discrimination with promotions) have unintended consequences on branding.

Step 2: Map the existing brand culture

Evaluate the existing brand culture across the four components of brand value (and for influencers as well if relevant). This evaluation requires designing and collecting market research that is attuned to the four different components of brand culture. Also consider the firm's current brand strategy, noting where it diverges from the brand culture.

	Brand Culture		
	Customers/Prospects	**Influencers**	**Current Brand Strategy**
BRAND STORY			
Reputation Inferences			
Relationship Inferences			
Experience Inferences			
Symbolism Inferences			

Source: Casewriter.

Step 3: Analyze competition and environment to identify branding opportunities

Competitive benchmarking ADVANCE \r12 One important driver of brand strategy is to deliver superior brand value versus primary competitors. Competitive superiority in brand value requires benchmarking against competitors' brands. Map competitors' brand cultures as you do your own (Step 2). Given the strengths of the brand and the firm, identify opportunities to improve the brand culture versus those of key competitors, and identify opportunities to shore up any erosion that could allow competitors to make inroads.

Environmental shifts ADVANCE \r12 There is a danger, though, in branding exclusively with an eye on competitors. The most significant advances in brand value come from identifying opportunities in the environment (consumers, technology, infrastructure, etc.) that competitors have not yet acted on and designing the brand strategy to take advantage of these opportunities. For example, new product technologies can provide significant opportunities to enhance reputation, emerging information and process technologies (e.g., the Internet, customer relationship management) can allow for improvements in relationship value, changing customer preferences can create opportunities for different experiential framing, and shifts in society and culture create opportunities to deliver new symbolism. Changes in the category life cycle are important to consider as well.

The relative importance of the four components often shifts over time. For a new category, where consumers have little product experience and technologies are unproven, quality and relationship values will be of primary concern. As the category matures and competitors become proficient at delivering basic product values, experience framing and symbolism often become considerably more important.

Step 4: Design the strategy

A brand strategy describes the movement from the existing to the desired brand culture and the logic for its taking this path. A strategy document should map the current brand culture, outline the most promising opportunities to enhance the brand culture considering both environment shifts and competitive benchmarking, and finally detail the desired brand culture.

Source: Casewriter.

Implementation: Engineering the Brand

Ultimately, a strategy is only as good as the care and creativity taken in implementation. This is particularly true of brand strategies, where implementation requires coherent "engineering" of the desired brand culture across all relevant aspects of the marketing mix. A brand strategy requires an action plan that specifies which marketing mix elements will be used, how they will be used, and how they will be integrated to achieve a consistent branding effort. Every firm activity that engages prospective customers is a potential branding tool. Branding is not limited to communications. Rather, all elements of the marketing mix contribute to branding (and also destroy brand value if they are not managed properly). And, of course, each marketing mix element must also serve purposes other than branding (for instance, meeting next quarter's sales objectives). Therefore, managers must always balance branding objectives against other marketing goals.

Product Policy/Service Delivery

Brands are not mere images. Rather, they are multisensory prisms that are "built into" products. Often the most critical and challenging branding task is how to design the product in a way that optimizes brand value. Thinking of product design as a branding issue is a relatively novel approach that has emerged only recently in design-intensive industries (autos, computers, consumer electronics, appliances, etc.). Product policy becomes a branding question when we ask: how can we use product design to enhance brand value? Rather than design products to achieve internal technical hurdles, engineering the brand into the product requires a reverse logic: what designs will best influence customers' perceptions of value?

Packaging

Packaging also conveys stories, images, and associations about the product inside, creating meaning. Consider how department stores wrap and bag products, how the packaging of perfumes and other beauty products influences brand stories, or, similarly, the various "extras" that you are often given when you buy a new car.

Advertising

Advertising has long been a powerful tool for building brand cultures because it is a storytelling medium. Advertising is used not just to convey information but to shape how the audience thinks about the product by embedding the product in dramatic fictions and using imaginative metaphors to provoke the audience to think differently about the product.

Public Relations/Corporate Communications

Representations of the product in popular culture and discussion of the product by influencers can have a powerful impact on the brand culture. Therefore, public relations efforts that seek to manage these indirect branding efforts are often important.

Pricing/Promotions

While we usually think of pricing decisions primarily as an economic calculus concerned with extracting value, pricing can also have powerful branding effects. For example, pricing policies can express either a transactional view (maximizing profits from a current purchase) or a relational view (treating customers as long-term partners). Similarly, pricing policies that customers perceive as "gouging," perhaps price discrimination mechanisms that seem to take advantage of customers, can lead to stories of an inconsiderate and self-centered company, which would destroy relationship value.

Personal Selling

We usually consider salespeople as conduits rather than creators of brand value. They convince clients and prospects of the value proposition with effective salesmanship. But, master salespeople are often master storytellers who can have a powerful impact on the brand culture.

Channels/Retail

For products sold by partners in a market channel, the customer-facing parts of the channel can have a powerful impact on the brand culture. In fashion, for example, the retail brand, retail design, store merchandising, and salesperson interactions can all have a significant impact on the brand culture. Consider the storytelling power of Starbucks outlets or of Nike's flagship stores.

Other Corporate Actions

Even corporate actions that seem furthest removed from marketing can have powerful branding effects: CEOs' discussions with Wall Street can be reported in the press. Firm policies that seem to be "backstage" and so out of the branding limelight can blow up into news stories. Consider, for example, how recent labor strife in General Motors' Saturn division impacted that brand's culture. Or consider that Nike's response to criticisms about its labor policies in outsourced Asian factories had such a negative impact on Nike's brand culture that the firm was forced to redesign its production policies.

When devising brand strategies, it is easy to fall into the trap of repeating popular formulas that seem to have worked well in the past. Imitation is rampant in marketing. But following historical patterns as formulas, especially without acknowledging changes in environment and competition, can lead to mediocre and anachronistic plans. The most powerful plans are often those that locate creative new ways to brand.

The most powerful branding levers in the marketing mix often change over time. For example, consider the rapid changes in how branding works in the American pharmaceutical industry. Until recently, doctors had vast influence over the reputations of drugs. Companies focused their efforts on influencing the stories that doctors told their patients. Now that medical advice flows freely on the Internet, through sites like WebMD, consumers have dramatically changed their decision-making processes. So, many companies have shifted part of their branding efforts to focus directly on consumers, often in the form of television advertising. Companies that anticipate the impact of these sorts of institutional shifts on brand strategy have a considerable advantage over those that simply follow rote formulas until they no longer work.

Evaluating the Brand

How do managers know if their brand strategies are working? Managers use four primary measures to "read" the brand's health and evaluate marketing effectiveness.

Behaviors ADVANCE \r12 When the brand increases in value, one expects—all other factors being unchanged—that customers will purchase the brand more regularly and will be less likely to switch away from the brand. Thus, one way to measure the strength of a brand is to measure behavioral loyalty. Measurements of loyalty behaviors alone can be misleading, though, because so many factors influence purchase behavior. So marketers commonly look at additional indicators.

Attitudes ADVANCE \r12 Valued brands tend to share certain consumer attitudes: they are well known among the relevant customers for delivering particular benefits, they are associated with influential users, and they are personally relevant. Attitudinal measures are gathered from traditional market research as well as other informal feedback mechanisms (Web sites, customer centers, retailers) to make benchmarked comparisons on attitudinal strength.

Relationships ADVANCE \r12 When brand value is high, customers tend to rely heavily on the brand in their daily life and, so, develop deep relationships with the brand. Like a personal relationship, people come to depend on the brand, enact norms of reciprocity, and exhibit strong emotions and feelings about the brand. Hence, measures of relationship strength can provide accurate indicators of brand value.

Equity ADVANCE \r12 The ultimate measure of brand value is the brand's reservation price (the price at which consumers are indifferent between the brand and competitive offerings). If the demand curve shifts outward, all other factors being equal, the brand is more valued by customers. Successful branding allows firms to charge more for their products or to sell more at the existing price, or some combination thereof. The future stream of earnings produced by this shifting of the demand curve attributed to branding is called *brand equity*. For many companies, branding has a tremendous impact on profits. Thus, brands are some of the most important assets owned by the corporation. For example, 80% of both Nike's and Apple Computer's market capitalization has been attributed to brand equity. Brand equity measures are in their infancy. Current measures offer very rough heuristics that improve only modestly over previous financial measures of "goodwill." As research progresses in this area, more accurate measures will emerge.

Branding and Ethics

Branding is one of the most powerful tools in the marketing arsenal. So brandishing this tool comes with a responsibility to use it ethically. Recently, branding has come under significant criticism, particularly in Naomi Klein's popular book *No Logo* (Picador, 2001). Klein argues that firms use branding in an imperialist manner, feeding on consumers' base desires while ignoring issues of social welfare. Such critiques have a long history across the globe. Beneath such criticism is the question of power. Branding is a form of rhetoric—an instrument to persuade people to think differently. Branding can create considerable value. But it can also be used in an exploitative manner. For branding to be a benevolent activity, four conditions need to hold:

Firms and consumers are equipped with equal information about the product.

Firms and consumers have equivalent sophistication in understanding how branding works.

Consumers are not heavily reliant upon heuristic decision making.

The authors of the branding effort are revealed.

When these conditions do not hold, there is potential for abuse. For example:

Branding products with information asymmetries

Stealth branding

Branding to populations lacking rhetorical literacy, such as children

In such conditions, managers must vigilantly watch over the ethics of their branding policies, assuring the activities create value rather than take advantage of customer weaknesses.

To simplify the exposition, I use the term "product" generically to refer to all types of market offerings—products, services, events, knowledge, etc.—and to include augmented aspects of the product (such as the service outputs delivered by the marketing channel).

The traditional positioning statement has three important weaknesses that this note seeks to correct. First, positioning statements are devoid of strategic focus. Second, positioning statements fail to recognize that the brand has a history, a *brand culture*, as developed below. The branding goal for an existing brand must be to move the brand from Point A to Point B. The strategy should recognize this. Finally, positioning statements do not isolate the four distinct components of brand value (below) and the relationships between these components. As a result, positioning statements can lead to vague brand strategies that fail to direct marketing actions.

Of course, individuals' experiences with brands are more complicated. People routinely overlay brand cultures with their own personalized stories, images, and associations. These many "stray" stories that individuals weave into their consumption can add to and alter the conventions of the brand culture. However, as marketers are usually interested in aggregations of customers, these idiosyncratic meanings have little managerial relevance unless they aggregate to transform conventions.

See Susan Fournier, “Consumers and their Brands,” *Journal of Consumer Research*, 1998.

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