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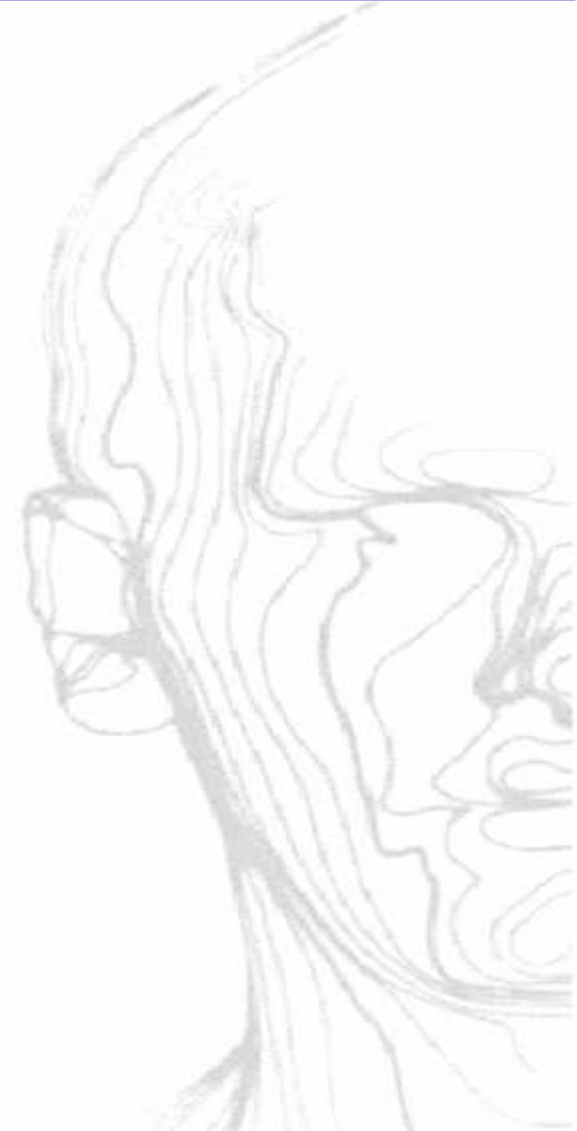
Brands and Branding

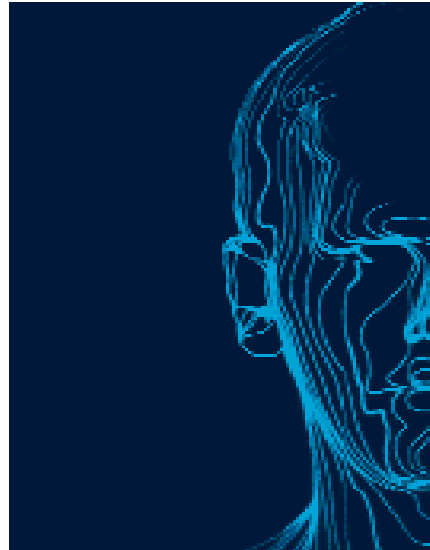
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Agenda

- What is a brand?
- Whether to Brand?
- Why Brand?
- How to brand?





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What is a Brand?

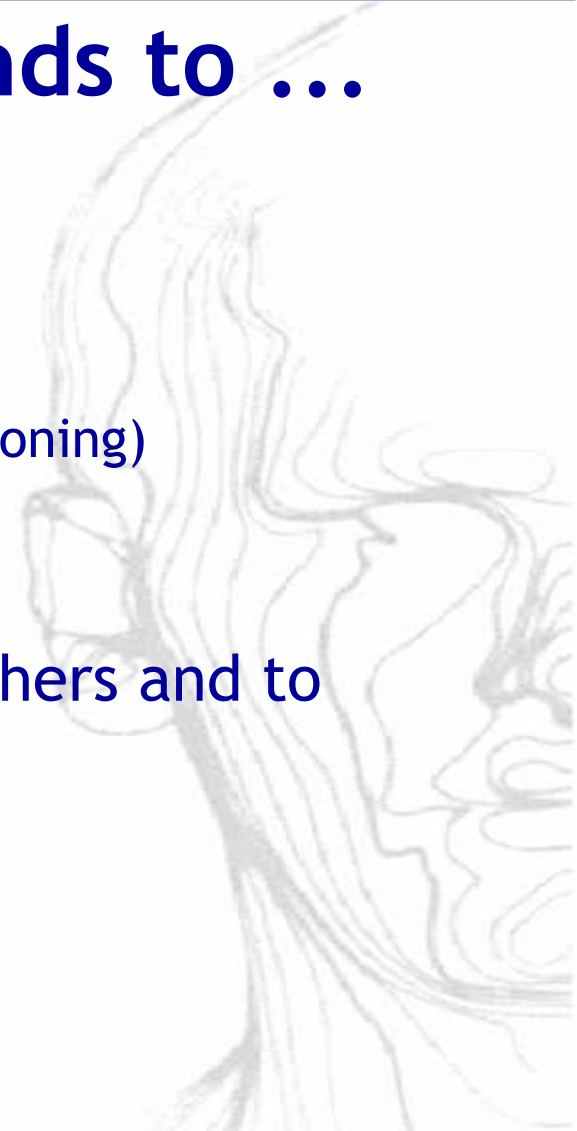


A Brand is...

- A set of consistent meanings which exist in addition to the product or service offering
- A set of beliefs and feelings existing in the customers' minds
- Derived from a complex of:
 - actual experience of the product/service
 - word-of-mouth communication
 - advertising and communications history
 - what the brand owners do more than what they say
 - the role of the brand in our lives and purchasing behavior

As customers we use brands to ...

- Make our decisions easier
 - A shorthand
 - Risk reducer (e.g. in style, taste, or functioning)
 - Buy on “automatic pilot”
- Make statements about ourselves to others and to ourselves
 - I am what I buy
 - I would like to be what I buy



Brands And Pull vs Push Strategies

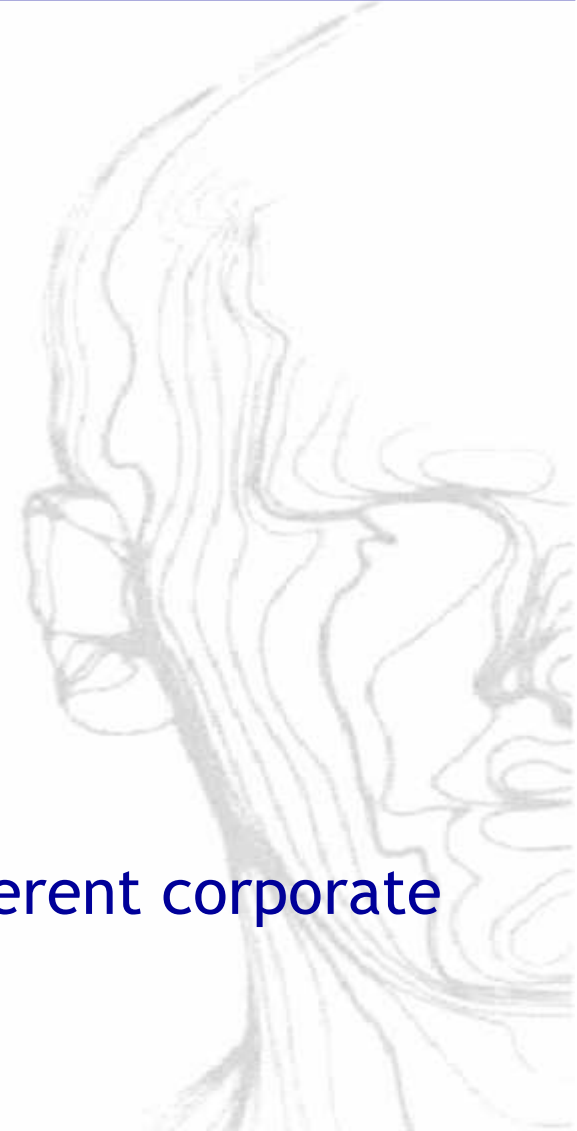
- Create awareness and potential loyalties for your service closer to end users
- Consider the role of “ingredient” brands
 - Intel
 - Goretex
 - Nutrasweet
 - Lycra
 - Teflon
- By creating discrimination and demand further down the chain they exert demand pull

Brands and Sub-Brands

- Focus when the parent brand has a very broad meaning (e.g. Heinz & WeightWatchers, Lexus & Toyota)
- Portfolios of brands (e.g. VAG with VW+Audi+Seat+Skoda)
- Brand “halos” (e.g. Turbo and Saab, Quattro and Audi)
- Attract additional segments, focus for segments, and added value offerings (Gold and Amex, Executive Club and British Airways)
- BUT in general, only strong parents can give birth, and fostering is a special art

Brand Typologies

- Based on Corporate Characteristics:
- Four types are generally distinguished:
 - *monolithic* (e.g. Sony, Yamaha)
 - *shared* (e.g. Apple Macintosh)
 - *endorsed* (e.g. Dulux from ICI)
 - *independent or single-line* (e.g. Alpen)
- Each type is usually reflective of a different corporate structure or history



When to use what ...

- **Monolithic brands**

- A guarantee of overall corporate excellence.
- Abstract values (eg. engineering excellence for Siemens, innovativeness for 3M, lavish customer attention for Singapore Air or Nordstroms (some think!))

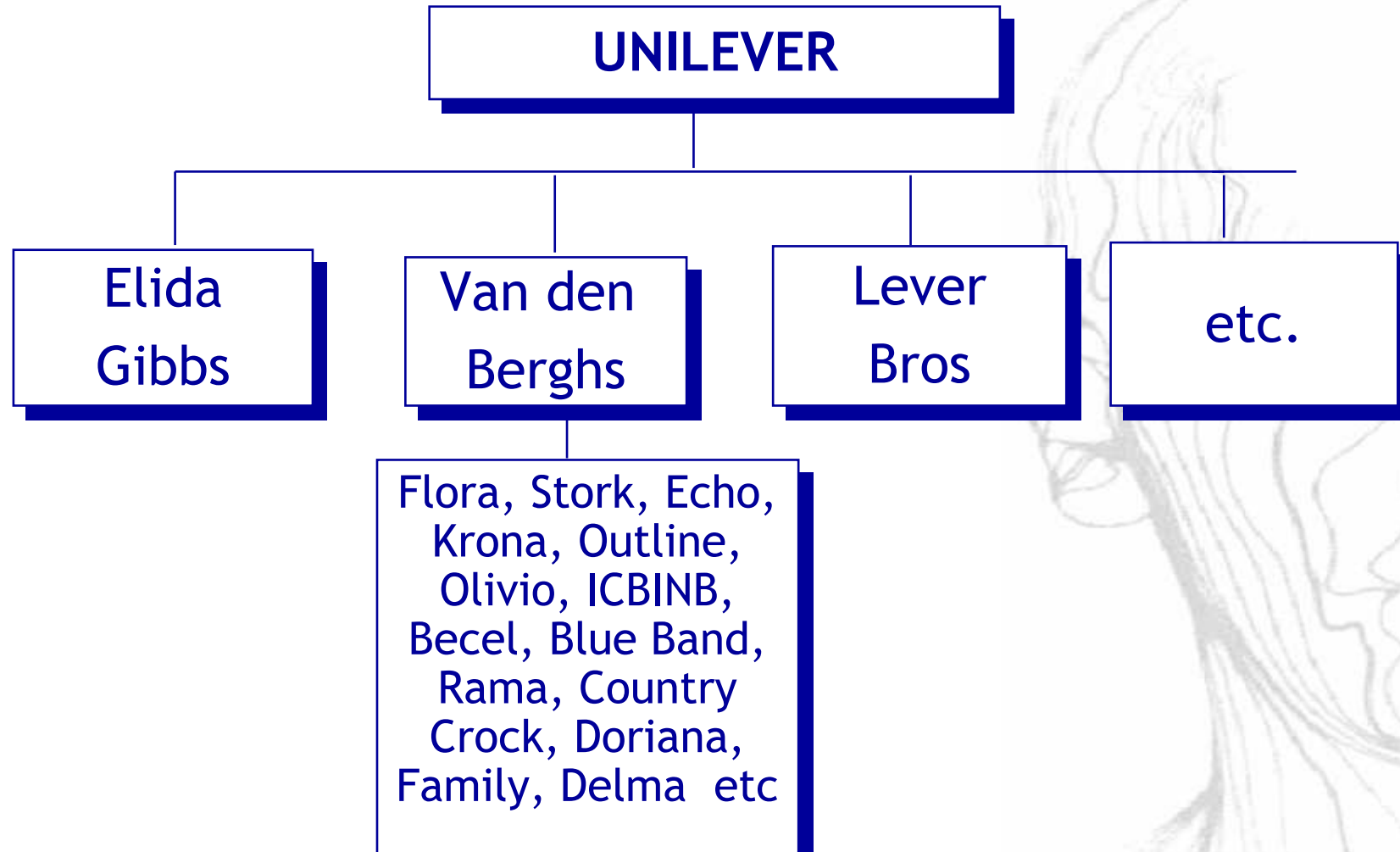
- **Umbrella brands**

- More focus in their meaning (eg Dulux and ICI)
- Parent brand as a quality endorser, but still allow for some economies of scale and scope

- **Single line brands**

- Provide maximum focus in their meaning.

An example of different brand formats



B2B has brands too

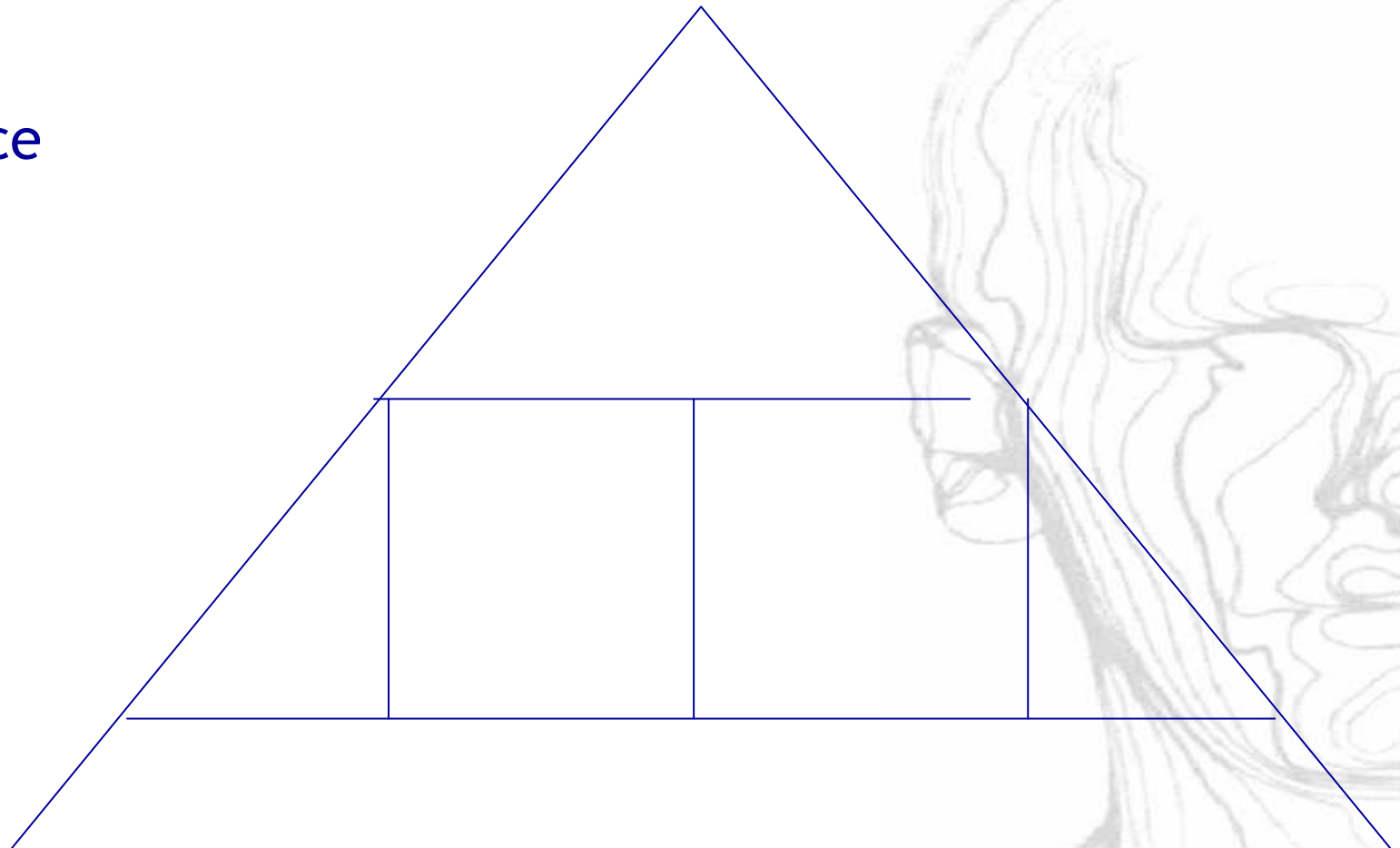
- 3M
- Accenture
- Caterpillar
- Chubb
- Cisco
- Dell
- Heidleberg
- IBM
- Intel
- JCB
- Lloyds
- McKinsey
- Oracle
- Otis Elevators
- Perkins
- Pratt & Whitney
- PriceWaterhouseCoopers
- Rolls Royce
- Sikorsky
- Smith Kline
- Sun Microsystems
- Tetra
- TNT

The Brand

Essence

Pillars

Tone



Virgin Brand

Essence

The
White
Knight

Source: Virgin
Money conference
presentation

Pillars

Straight
talking

Democratic

Fair

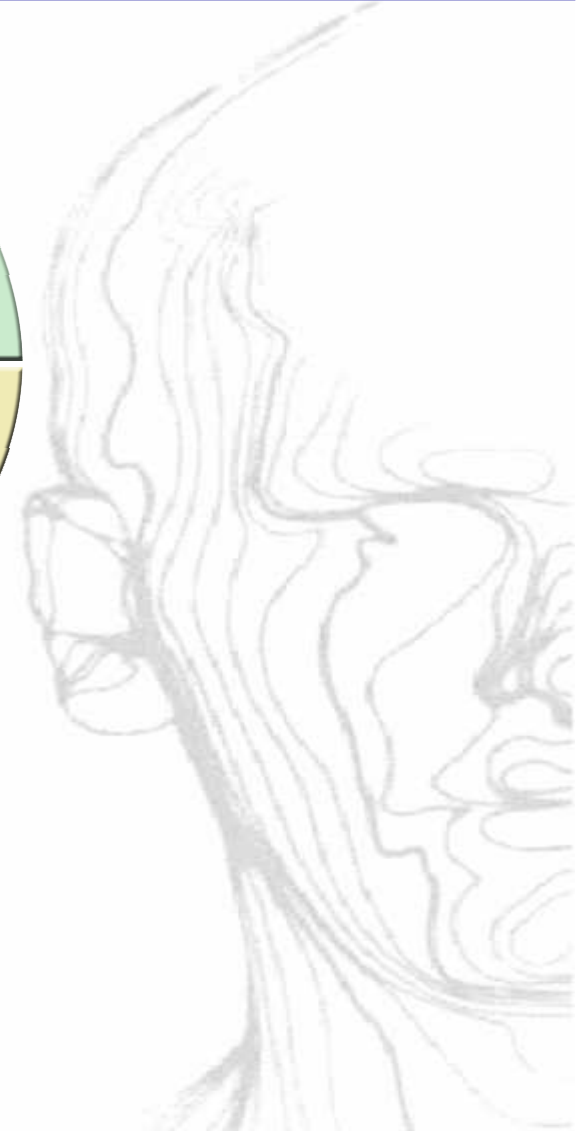
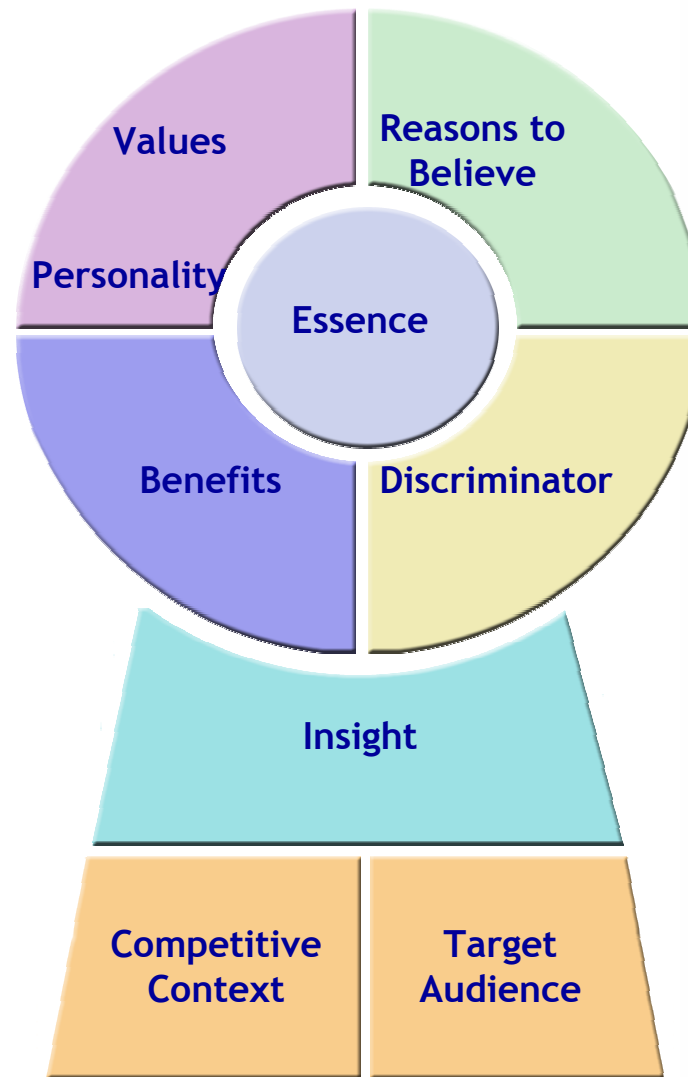
Innovative

Tone

A challenging point of view

Master Brand Key

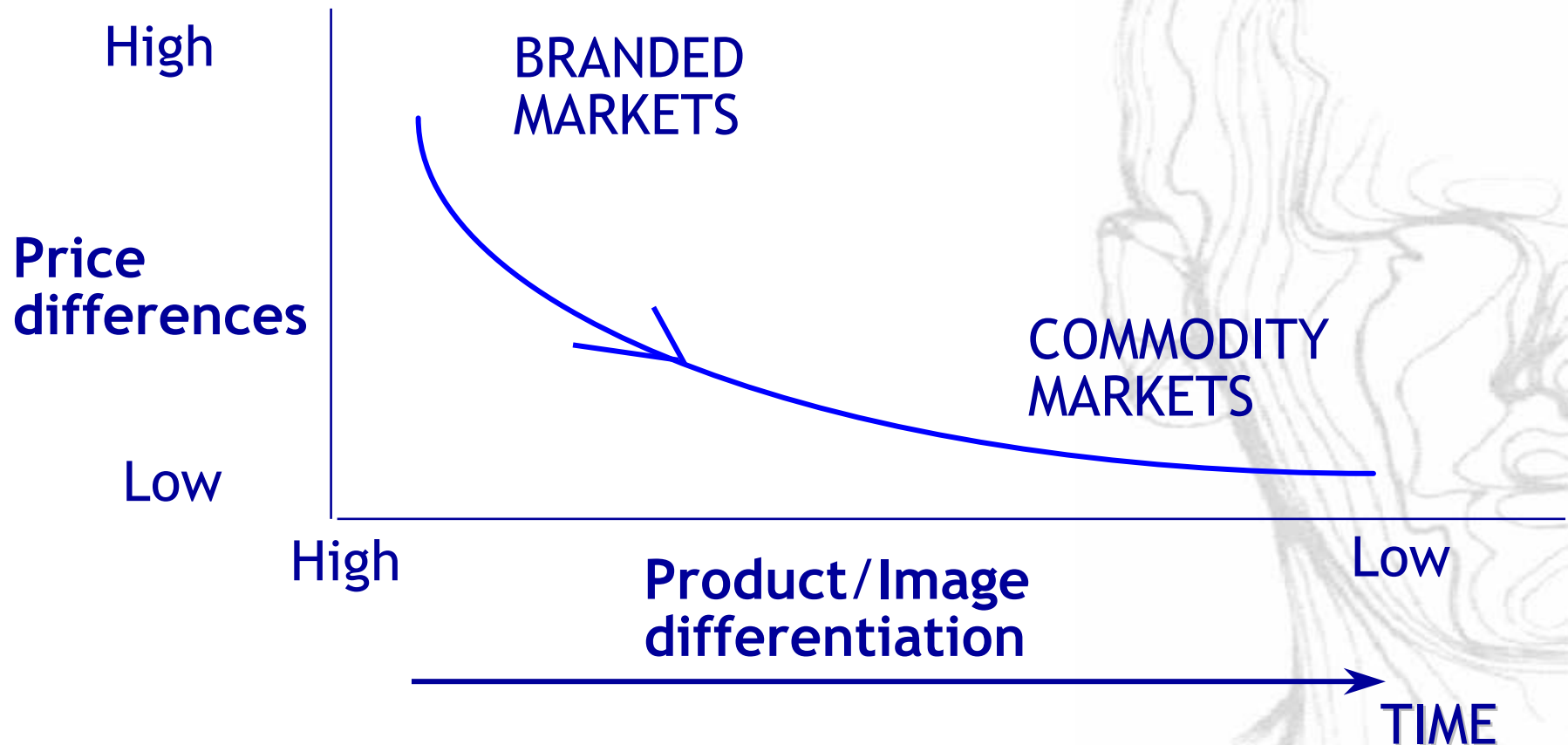
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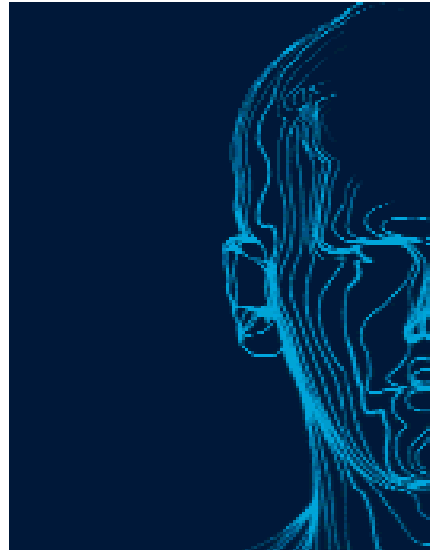




Whether to Brand?

The commodity slide





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Why Brand?

Brands & Financial Performance

- A recent study of the overall financial performance of 3500 companies in Europe and the US has shown that **leading-brand companies outperform follower-brand companies by 300% or more**
- These findings held true across countries and across different categories
- Source: The Brand Agency NZ

Brands & Differentiation 1

Research assessed:

- 1.Brand characteristics (consumer ratings 1993-1995) with
- 2.Company financial performance (1993-95, 95+)

They compared four (*Y&R Brand valuator*) components of Brands:

1. **Knowledge** - understanding of the product/service
2. **Esteem** - regard for the brand (evaluation)
3. **Relevance** - personal appropriateness of the brand
4. **Differentiation** - perceived distinctiveness of the brand

Source Stern Stewart

Brands & Differentiation 2

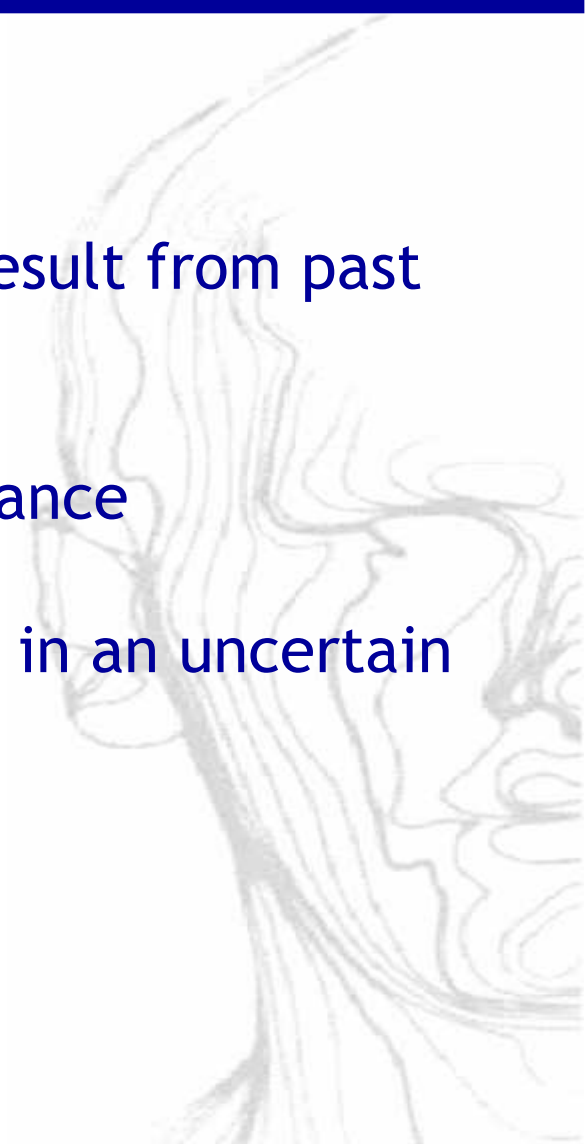
They found that:

1. If differentiation grew in the period 1993-95, earnings grew **by average 195%**
2. If differentiation declined in the period 1993-95, earnings decreased **by average 15%**
3. If differentiation growth $>$ relevance growth 1993-95, earnings increase **by average 211%**
4. If relevance growth $>$ differentiation growth in 1993-95, earnings increase **by average 59%**

Source Stern Stewart

Brand Equity

- The storehouse of future profits that result from past marketing activities.
- A way of ‘evening out’ annual performance
- The organisation’s ‘suspension system’ in an uncertain environment



The World's most valuable brands-2003

- The storehouse of future profits that result from past marketing activities.
- Top 100 brands = \$988,287,000,000 (Almost \$1trillion)
- This is equal to
 - The combined gross national incomes of the 63 countries the World Bank defines as 'low income'
 - Almost 1/3 of the entire world's 'wealth'

The World's 10 Most Valuable Brands		
RANK	BRAND	2003 BRAND VALUE BILLIONS
1	COCA-COLA	\$70.45
2	MICROSOFT	65.17
3	IBM	51.77
4	GE	42.34
5	INTEL	31.11
6	NOKIA	29.44
7	DISNEY	28.04
8	McDONALD'S	24.70
9	MARLBORO	22.18
10	MERCEDES	21.37

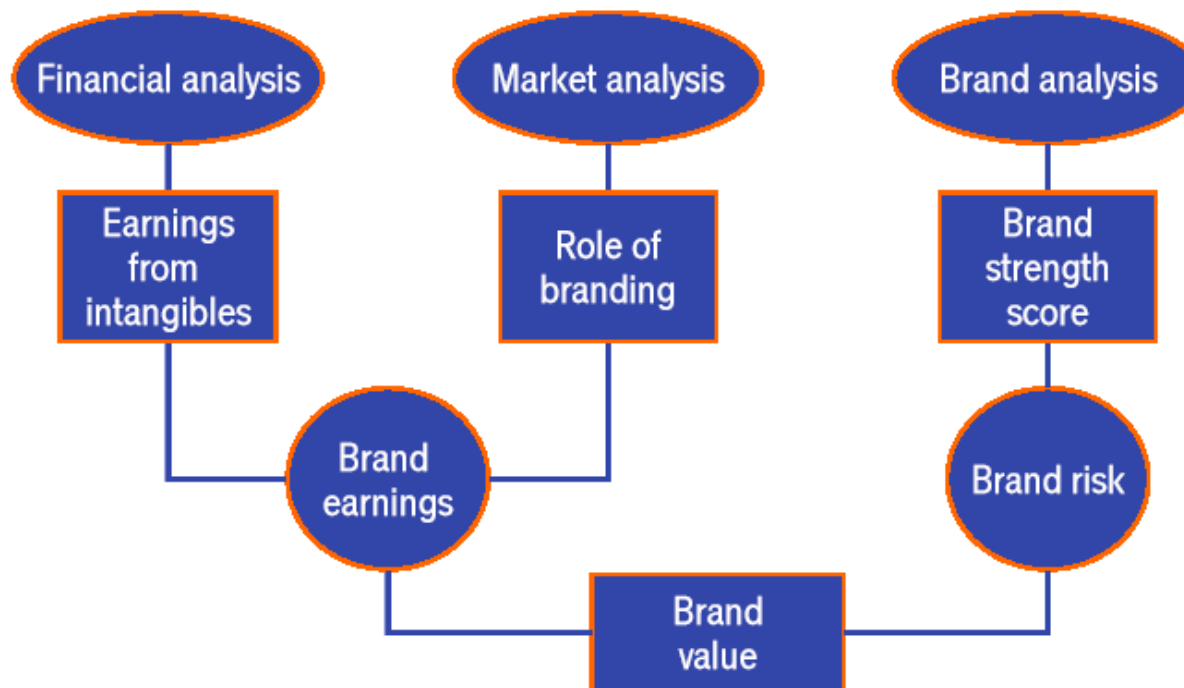
Data: Interbrand Corp., J.P. Morgan Chase & Co., Citigroup, Morgan Stanley

Valuing brands

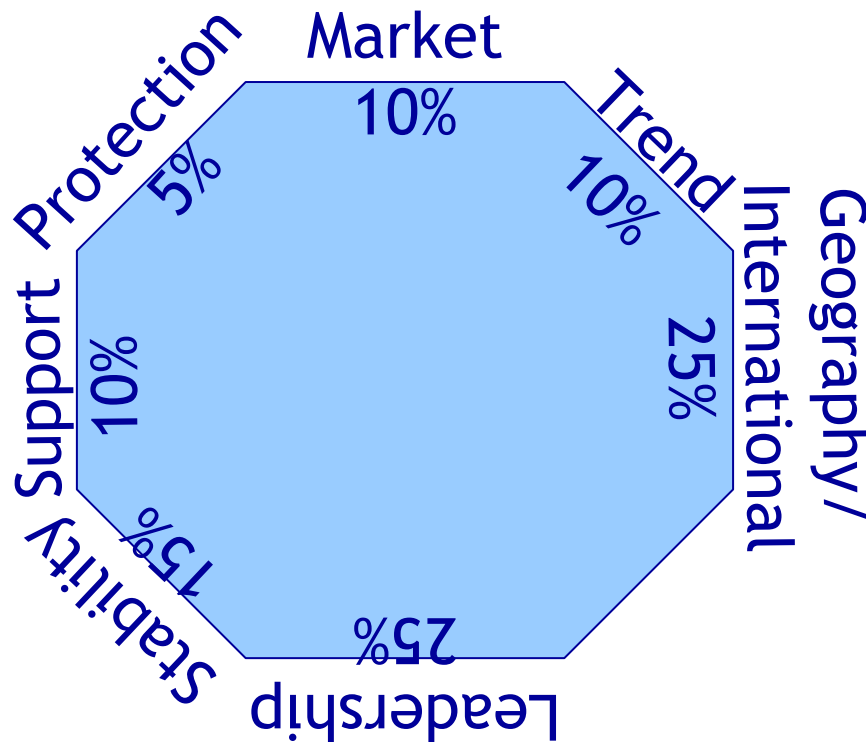
- Many and various methods with no accepted standard:
 1. Price that a purchaser will be willing to pay for the brand or brand owner above asset value
 2. Market capitalisation minus net assets
 3. Price per share/Earnings per share
 4. Interbrand methodology
 5. Y&R methodology
- Brands not yet on balance sheets, but it is coming
 - 'Intangibles' need to be valued
 - Will come when a statutory requirement



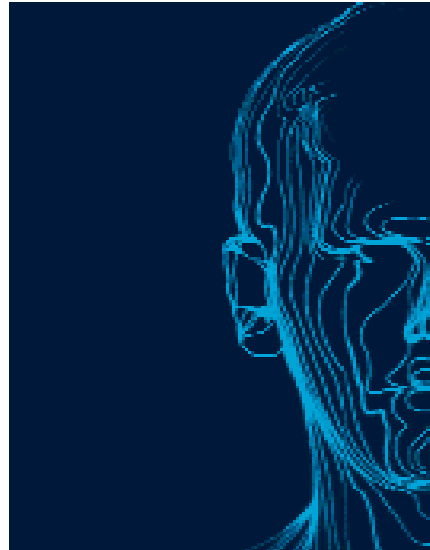
Interbrand approach to brand value



Measuring brand value (Interbrand)



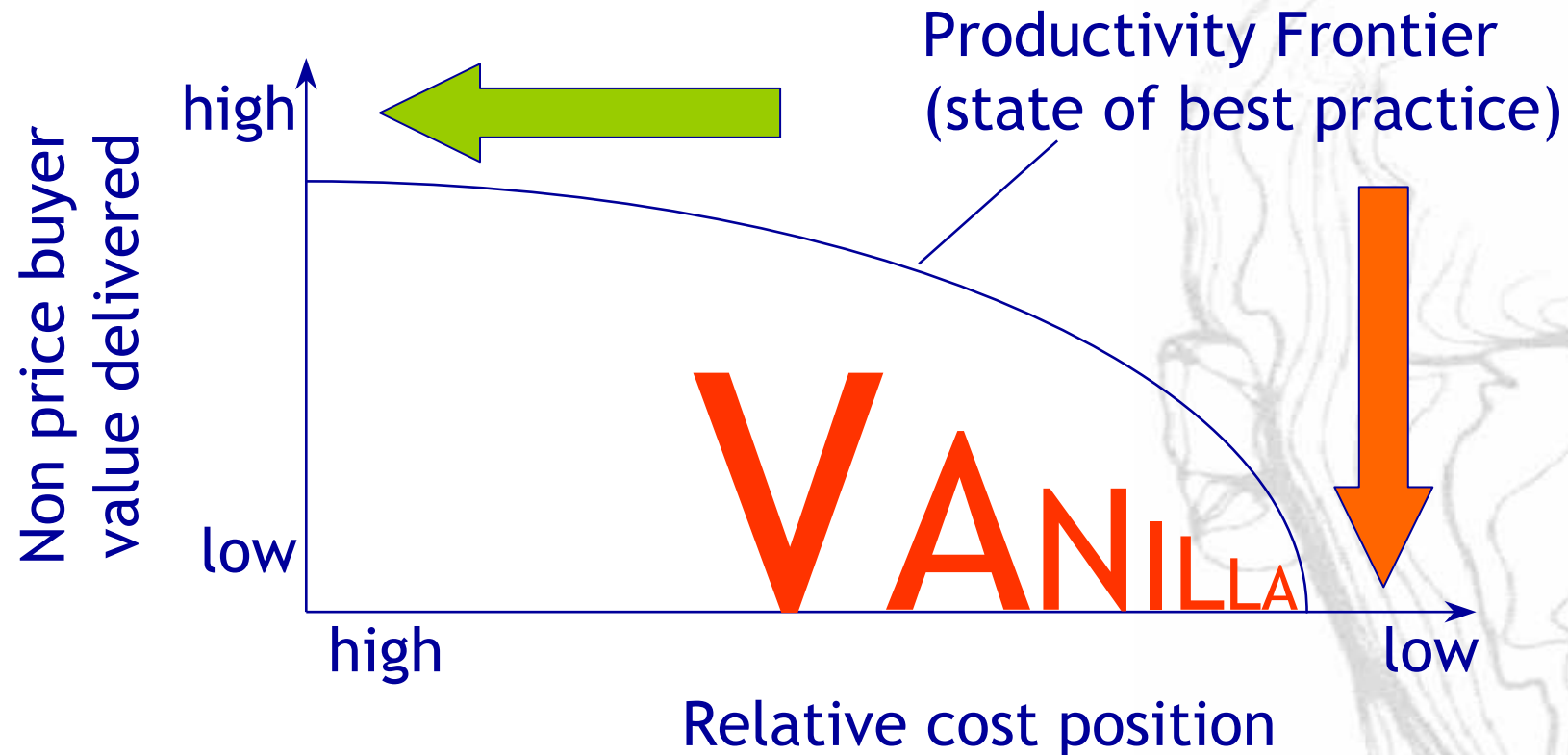
Brand Strength		
	Weight	Score
Leadership	0.25	
Stability	0.15	
Market	0.10	
Intern Scope	0.25	
Trend	0.10	
Support	0.10	
Protection	0.05	



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How to Brand?

Operational effectiveness - obsession?



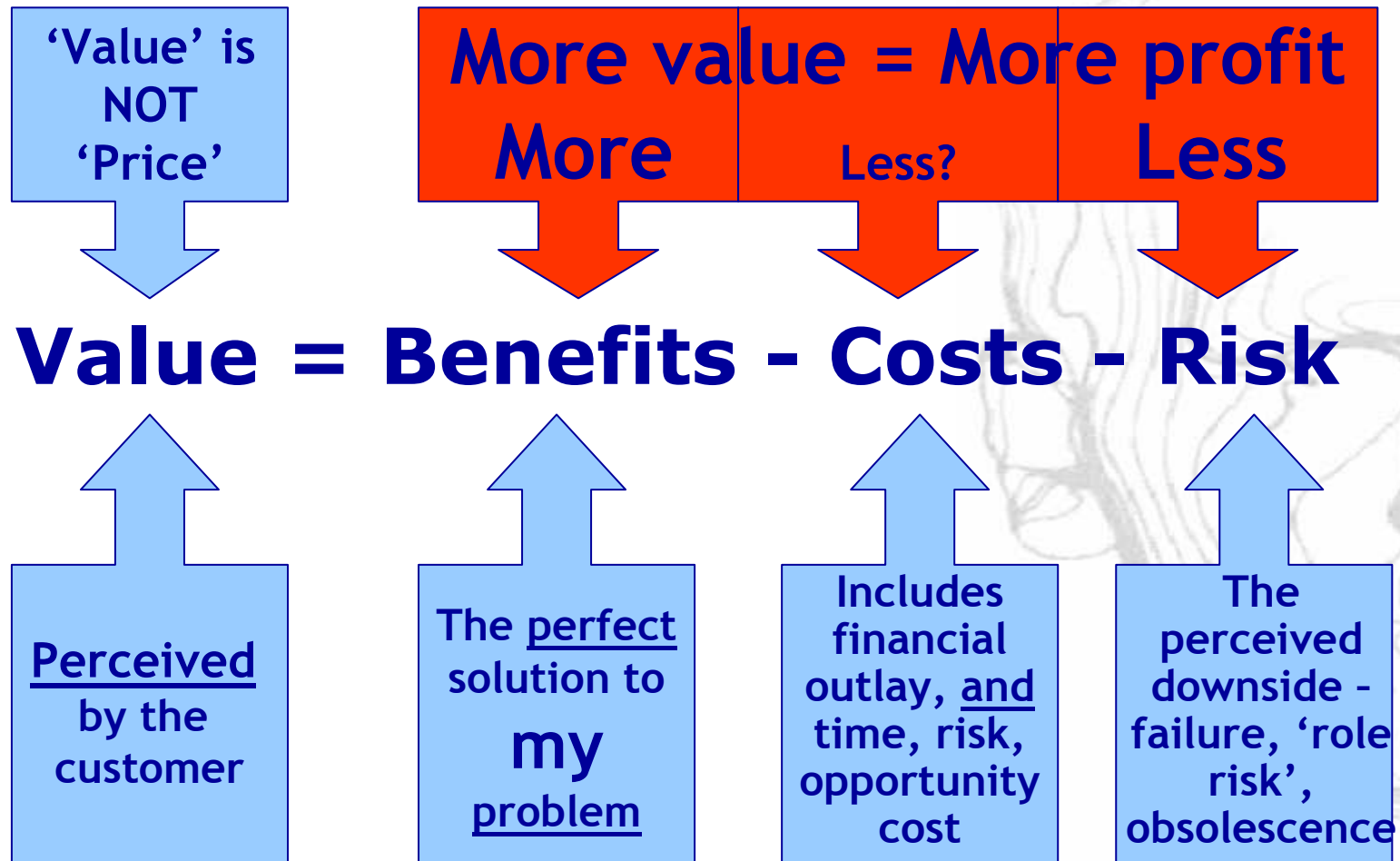
[Porter 1996]

Fight the eternal quest for Vanilla

- In the quest for productivity, quality and speed, companies imitate one another in a type of herd behaviour
- Driven by desire to 'grow' (sales and volume), this creates unnecessary 'hyper-competition'
- Operational Effectiveness is necessary, but it is not sufficient to win and it is not strategy
- Competitive strategy is about being different and either:
 - (i) **Performing *different activities* from rivals**
 - (ii) **Performing similar activities in *different ways***

[Porter 1996]

Its all about Customer Value



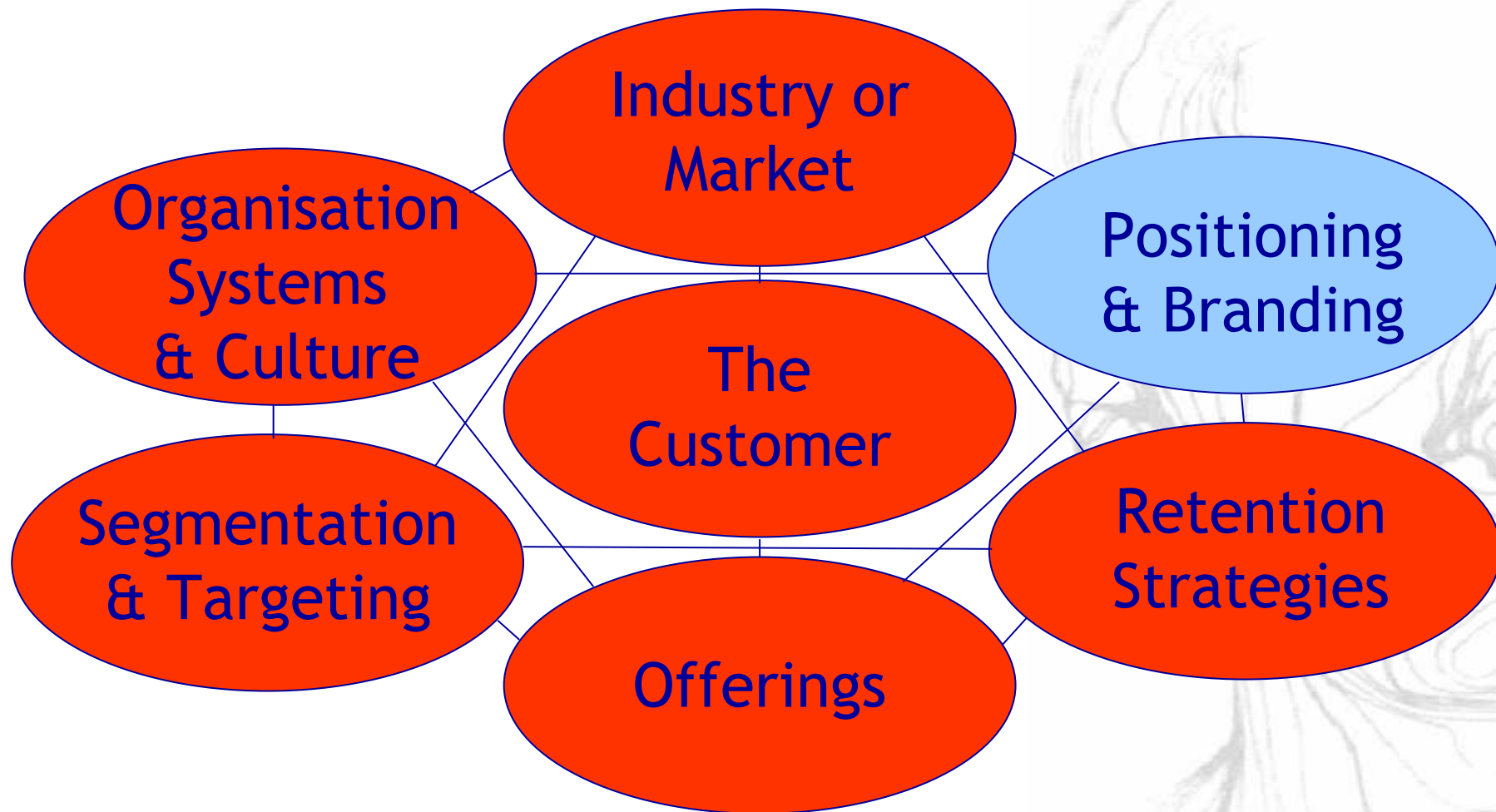
Summary - How to make brands

1. Make a promise and deliver on it every time
2. Create trust through consistency of service
3. Build the brand(s) on customer needs/benefits that are both strong and obvious
4. Invest in the brands - every year
5. Ensure long term commitment of management

Summary - How to break brands

1. Confuse a 'brand' with a 'name' or 'label'
2. Fail to deliver on the promises made
3. Fail to keep the brand up to date
4. Communicate the wrong messages
5. Communicate different messages through different media

And finally, Branding in “Scorpio”



A dictionary of branding terms

Brand - The sum of all the characteristics, tangible and intangible, that make the offer unique.

Brand Equity - The value of the brand in its holistic sense to its owners as a corporate asset.

Brand Essence - The distillation of a brand's intrinsic characteristics into a succinct core concept.

Brand Identity - The outward manifestation of the essence of a corporate brand, product brand, service brand or branded environment.

Brand Positioning - The specific niche in which the brand defines itself as occupying in the competitive environment. Positioning addresses differentiating brand attributes, user benefits and target segments, singly or in combination.

Branding - The process by which both a brand and brand identity are developed.

Corporate Brand - The gestalt of the organization, including its philosophy and culture as well as its physical characteristics.

Corporate Image - Application of the term image to specific types of offers.

Endorsement - Use of the parent brand identity to support and add credibility to an allied offer. Implies subordinate emphasis of the parent to a sub-brand, though relative emphasis will vary case-by-case.

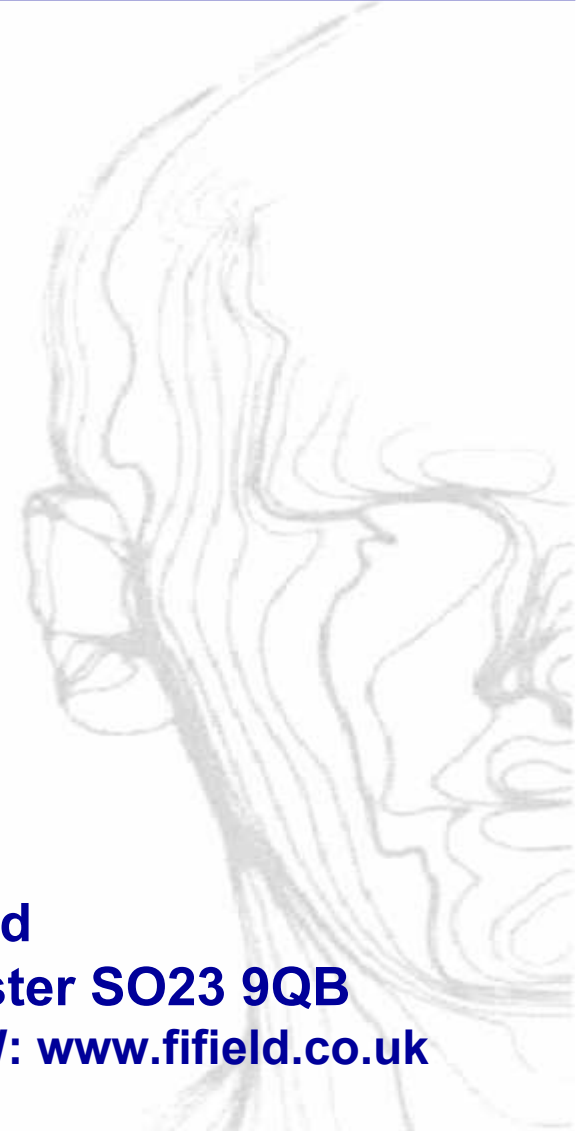
Identity - Two meanings, both valid: 1) The sum of all the characteristics, tangible and intangible, that make the offer unique. 2) The elements of brand identification (e.g., the name, symbol and colours) by which an offer can be identified.

Ingredient Brand - A strong brand that is used and promoted as a key part of a host brand.

Parent Brand - A strong brand that has the capacity to: 1) stand alone to represent a core product or service; 2) support allied products/services by sharing its brand identity, directly or through endorsement



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