The Changing Roles of Brand Management

There have been several developments over the last 30 years or so with respect to how businesses have changed their view of the customer, and how consumers have reacted. These changes have led to the emergence of brand management as an important and complex role. A short summary follows of how business relationships with consumers have evolved, and how the role of brand management has changed as a result.

Business Evolution and the Consumer

The Dreadful Days of Product Focus

Some of you may remember the early days of mass production, when companies developed products that they thought the public needed and would want to buy, produced them, and then threw them into the market with the conviction that sales would result. The consumer often responded by buying the products because they were new and enhanced their quality of life. Consumer-durable and fast-moving goods—such as refrigerators, televisions, and cosmetics—had triggered the insatiable appetite of the consumer for branded products. However, there were as many failures as there were successes during this time. Marketers hadn’t really understood what consumers wanted, because they hadn’t asked them. This approach to marketing has now largely disappeared, although sometimes when I meet with companies I may still have my doubts. Some Japanese companies, for instance, still have a mindset that says, “Let’s develop a great product and then go out there and sell it to the consumer, who doesn’t know what he wants.”
The Emergence of Market Orientation

Marketers soon learned that it was a wise move to understand a little more about what customers had in mind. Mass marketing was still predominant, but marketers began to realize that not all markets were homogenous. They discovered that within categories such as washing powders, different people expected different types of product performance; for instance, some people wanted a heavy-duty detergent, while others wanted a product suitable for use with delicate fabrics. So, during the 1970s and early 1980s we saw the introduction of market segmentation and the growth of market research as an industry. For the brand manager, this meant the growth of product categories and many opportunities for brand extensions.

The Age of the Big Brands

The age of the big brands dates from the late 1980s, when powerful brands, led by experienced and senior brand managers, began to dominate their chosen markets. There has been a tremendous demand for luxury brands during this time, with some brands, such as Nike, becoming global players. The whole world has now become more brand-conscious. Research studies claim that children become brand-conscious from as young as four years of age. Even in the less-developed and underdeveloped countries, the big brands have a presence and are the focus of consumer attention. However, the fragmentation of markets referred to above has led brand management into the complex world of mass customization, and there has been a strong movement away from pure, generic products manufactured to suit mass markets. Brand management has now turned its attention to customizing generic products to the needs of different market segments, and this has led to a proliferation of products available to consumers, with tremendous profits for those companies that understand these complex markets correctly.

The Realization of Brand Value

It is now widely acknowledged that brands, if created, developed, and managed well, can achieve spectacular financial results. If we look at
the market capitalization of well-branded companies versus relatively unbranded companies in both the United States and the United Kingdom (the S&P and FTSE markets, respectively), and many other markets around the world, we see that around 70 percent or more of market capitalization isn’t represented by the net asset value of the companies concerned. There is a huge gap between market capitalization and net tangible assets, and this unexplained value is represented by intangible assets, a significant part being the value of brands themselves. Other intangible items include patents, customer lists, licenses, know-how, and major contracts, but the value of the brand itself is increasingly becoming the biggest item. Brand names are often worth multiples of the value of the actual businesses. As a result, brands are often bought and sold for considerable amounts of money, which represent not so much the tangible assets belonging to the company, but the expectation of the brand’s level of sales into the foreseeable future.

A strong corporate brand name brings with it additional financial strength which can be measured and used in many ways. They include:

- **Mergers and acquisitions**: Brand valuation plays a major part in these undertakings. Potential acquirers of branded goods companies, together with their investors and bankers, find comfort in the knowledge that the price being paid for a company can be substantiated by reference to the value of the specific intangible, as well as tangible, assets being acquired.
- **External investor relations**: For some major companies, building a portfolio of world-class brands is a central objective. Brand valuation can be used to provide hard numbers in what is often a soft argument.
- **Internal communications**: Brand valuation can help explain performance and be used as a means of motivating management. The use of internal royalty rates based on brand value can also make clear to a group of companies the value of the corporate assets they are being allowed to use.
- **Marketing budget allocation**: Brand valuation can assist in budgeting decisions, providing a more systematic basis for decision making.
• **Internal marketing management**: Strategic use of brand valuation techniques allows senior management to compare the success of different brand strategies and the relative performance of particular marketing teams.

• **Balance sheet reporting**: In certain parts of the world, acquired brands are now carried as intangible assets and amortized.

• **Licensing and franchising**: Accurate brand valuation allows a realistic set of charges to be created for the licensing and franchising of brand names.

• **Securitized borrowing**: Companies such as Disney and Levi Strauss have borrowed major sums against their brand names.

• **Litigation support**: Brand valuations have been used in legal cases to defend the brand value, such as in the case of illicit use of a brand name or receivership.

• **Fair trading investigations**: Brand valuation has been used to explain to non-marketing audiences the role of brands, and the importance their value has for the companies that spend so much to acquire and maintain them.

• **Tax planning**: More and more companies are actively planning the most effective domicile for their brand portfolios with branded royalty streams in mind.

• **New product and market development assessment**: New business strategies can be modeled using brand valuation techniques to make judgments on, for example, best brand, best market extension, and best consumer segment.

**Brand Value versus Brand Equity**

Brand value and brand equity are often confused. When we talk about *brand value*, we mean the actual financial worth of the brand. The term *brand equity*, on the other hand, is often used in referring to the descriptive aspects of a brand—whether symbols, imagery, or consumer associations—and to reflect its strength in terms of consumer perceptions. It represents the more subjective and intangible views of the brand as held by consumers, and is somewhat misleading, as the word *equity* has a financial origin.

There are several dimensions of brand equity, as opposed to brand value. Some of these key aspects of brand performance or strength are:
- **Price premium**—the additional price that consumers will pay for the brand compared to other offers.
- **Satisfaction/loyalty**—levels of satisfaction with the brand that help determine loyalty and prevent price sensitivity.
- **Perceived quality**—relative to other brands.
- **Leadership**—in terms of market leadership, connected to market share.
- **Perceived value**—a value-for-money concept linked not just to tangible items such as quality, but also to intangible factors.
- **Brand personality**—the attributes of the brand’s character that differentiate it from others.
- **Mental associations**—the most important one being trust.
- **Brand awareness and recognition**—key measures of brand strength concerned with how well the brand is known in the market.
- **Market share**—volume and, in some cases, perceived positioning.
- **Market price**—premiums enjoyed by the brand.
- **Distribution coverage**—including percentage share.

There is no absolute score for these dimensions, but this mix of attitudinal, behavioral, and market measures of brand equity should be the focus for good brand management practice. What is interesting with this list is that it contains a mixture of what I would see as some of the drivers of both brand value and brand equity. Calculating brand value is, of course, a very specialized area, and the key drivers of brand performance are not all contained in the above list; however, there is a substantial overlap. For those readers interested in establishing the financial value of brands, some brand valuation methodology is outlined in detail in Chapter 9.

So, although there is a difference in terminology, it appears that there is a connection between brand value and brand equity, because many of the components of brand equity have been found to be the drivers of brand value. While we don’t need to go into detail here about the methodologies involved in calculating brand equity and brand value, companies wishing to achieve spectacular rates of return on investment should be concentrating on building up the strength of their corporate brand name in their chosen markets. And the only way to do this is to concentrate on providing consumers with the best possible brand experience. This is where strong brand management is essential.
Brands Driving Business Strategy

Branding has been so successful that companies are now replacing corporate visions and missions with brand visions and missions. Figure 1.1 shows what I believe to be the old, 20th-century, business model. With this business strategy, companies developed corporate visions and missions that, while they looked impressive when mounted along the corridor walls, were largely ignored by anyone other than top management, who used them to drive the business forward. Branding merely provided support, usually in the form of advertising and promotion (A&P).

This business process has now changed. In the 21st century, the model being used by successful brands is to develop a vision and mission for the brand, and to let this drive the business strategy and all related activities, as shown in Figure 1.2. You will notice that business strategy leads directly into customer relationship strategy, and then the marketing activities. This concentration on relationships is explained in further detail below.

Greater Focus on the Brand—Consumer Relationship

Using this view of the consumer world—that is, focusing on how brands relate to consumers—the latest and most profitable strategies are those that strengthen the relationship of the brand with consumers, and then use this as the basis to drive the business forward and build brand value.

Figure 1.1  Brand link to corporate strategy in the 20th century
Consumer insight plays a vital role here. Examples of how branding has been affected by this new way of thinking are given in Chapter 2.

**Brands—Fascists or Friends?**

Occasionally, global brands are criticized by writers who argue that they are too powerful and not in the public interest. This argument is typified in the book *No Logo* by Naomi Klein, who suggests that branding is a somewhat anti-social activity. Taking an anti-globalization stance, Klein declares that brands have come to represent “a fascist state where we all salute the logo and have little opportunity for criticism because our newspapers, television stations, Internet servers, streets, and retail spaces are all controlled by multinational corporations.” She goes on to say that the power and presence of advertising curtails choice, that brands are symbols of American power, and that they result in environmental damage, human rights abuses, and sweat-shop labor.

In its issue dated September 8–14, 2001, The Economist magazine led with an article arguing why brands are good for everyone. The article, entitled “Pro Logo®, The case for brands,” argues that brands are becoming more vulnerable (and thus less powerful) and consumers more promiscuous (and thus more powerful). It further argues that brands enable consumers to express themselves and to enjoy the benefits of trust, self-expression, and new ways of enjoying their lives. Rather than promoting poor environmental and working conditions, brands are held captive by public opinion and are actively encouraged to help create a better world. The article makes the point, with some force, that, “far from

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**Figure 1.2** Brand link to corporate strategy in the 21st century

Consumer insight plays a vital role here. Examples of how branding has been affected by this new way of thinking are given in Chapter 2.
being instruments of oppression, [brands] make firms accountable to consumers.” To my mind, brand management is the conduit through which the psychological demands of consumers are delivered. If brand managers fail to satisfy these complex desires, then the brands they have responsibility for will cease to exist.

Brands That Care

It is my belief that the great brands of the future will be brands that care. They will be able to balance profitability with social responsibility. They will balance brand spirit with human spirit. They will be less unilateral in their actions and more altruistic. They will behave not as businesses, but as living entities that care for what happens in the world and for the people who live in it. Above all, they will focus on relationship building and bringing people together.

All of the above add up to a distinct shift in the role and status of brand management in the commercial world.

The Changing Role of Brand Management

Over the last couple of decades, there have been some discernible changes in the role of brand management and the activities of brand managers. Principally, they consist of the following changes in emphasis.

Change from an Industry to a Market Focus

One of the more obvious trends in business has been the move away from product-led to customer-led marketing. This change needs little explanation, but its impact on brand management in one sense has been to force managers to get closer to, and listen to, the customer. This has brought about many initiatives in market research, customer service, and quality management, and has also meant that brand managers are increasingly getting involved in new product development.
Change from Tactical Thinking to Strategic Thinking

Another change has been the move of corporate strategic thinking away from looking purely at how to grow the business within a specific industry, toward a mindset that looks at expansion across many industries and in multiple markets. This has led brand management to take a much more strategic view, and to become a more holistic activity, looking at how to project consistent identities and create consistent images in a variety of different situations. Brand managers still, however, have to fight the day-to-day tactical battles associated with shifting markets and competitive attacks.

Change from Local Market Focus and Analysis to Global Market Focus and Analysis

The economies of scale required to achieve world-class brands and the breakdown of market boundaries have meant that more companies are adopting a global focus, and that brand management now has to achieve the right balance between global identities and local adaptations. This trend has also led to the emergence of many more strategic alliances involving co-branding, in order to reduce the cost of global reach. In some cases, companies are now requiring brand managers to tailor brand offerings specifically to local markets. For instance, all advertising and promotion for Nestlé’s Milo must show local sports, facilities, talent, and so on.

Change from Product Management to Category Management

Vicious competition in many markets, especially in fast-moving consumer goods, has given rise to the management of categories as opposed to individual products, with the brand manager looking at a multi-product portfolio and a complex set of positioning alternatives. This has been spurred in part by the fact that consumers think in terms of categories, such as shampoos, skincare products, and so on. There has also been a shift in power—again, especially in fast-moving consumer
goods—from the brand manager to the retailer, and so brand managers must cope with the reality that their brands have to fit in with what the retailer would like to offer to the consumer. Brand managers must constantly assess what value their brands are providing to the retailer and the consumer in their chosen categories. Constant monitoring of competitive intruders is mandatory, as they may quickly erode the value a brand represents. Brand managers now have to view individual brands within a mix of several brands that satisfy both the consumer’s desire for choice and the seller’s need for profitability and a target audience.

As a result of this competition, the creation of new categories has now become important as some of the power brands crowd existing categories with their product line extensions. (Brand and line extensions are discussed in Chapter 4.) Smart companies are even changing the nature of categories. A great example is the energy drink Red Bull. Although not the first of its kind, the brand has dramatically changed and grown the market category for this kind of beverage, making it the number one energy drink for young, active people.

**Change from Product Branding to Corporate Branding**

There has been a marked change in direction, by companies around the world, away from concentrating on product branding and toward focusing on the corporate brand. Even the master of product branding, Procter & Gamble (P&G), is now putting much more strategic effort into leveraging its corporate brand name, as is its arch-rival Unilever. There are many reasons for this. It is an expensive exercise for a company to create and build brands independently, with little endorsement from the parent company. Product branding requires each brand to stand on its own and have its own investment, which in research and development (R&D) and A&P alone can be enormous. Without generous parental support, getting through the stages of brand awareness and acceptance in the marketplace can be highly resource-consuming. This is one reason why Unilever has reduced the number of its brands from 1,600 to approaching 400, its declared target.

While product branding continues to play an important part in brand strategy, there has been a marked trend toward corporate and umbrella branding, with even the traditional die-hard product brand
organizations such as Procter & Gamble bringing the corporate brand more into the spotlight. P&G has made leveraging the corporate brand a global strategy, and throughout the world we are now seeing its initials used in support of product brands. One reason for this is that, for decades, P&G has been losing out on building the dollar value of the parent brand itself. In 2000, the market capitalization of the company declined, but if we look at the stock market indices around the world over the last 20 years, it is plain to see that heavily branded companies consistently outperform unbranded companies in terms of market capitalization. With corporate branding, most frequently seen where the company adds its name to the product brands it launches, there is the added value of trust and the shared synergies of the other investments needed. But one of the main determinants of this trend is the fact that brands can be valued in financial terms. Since adopting a strategy of leveraging the corporate brand, P&G has seen large increases in market capitalization.

Change from Branding Consumer Products to Business-to-Business (B2B) and Commodity Branding

There is a rising interest in branding many types of entity. The success of consumer product and corporate branding has led to an increase in B2B branding, and even the branding of commodities. Companies such as Accenture, IBM, BASF, and Hewlett-Packard (HP) have all carried out comprehensive branding initiatives. And in order to rise out of the commodity trap, basic commodity and trading entities have also begun to brand themselves, as the case study below illustrates.

CASE STUDY 1: THUNG KULA FARM

*From Commodity Product to Premium Brand*

Thung Kula Rong Hai—or “Thung Kula,” for short—is an area approximately 500,000 acres in size covering five provinces in northeast Thailand. With no major rivers, the area is poorly
irrigated and thus dry and barren. The Ministry of Agriculture and Co-operatives, in co-operation with other government agencies, has a mission to improve the quality of life of the 85,000 or so local farmers and their families. To this end, it has developed a five-year plan with the objective of increasing farming incomes through the promotion and export of the locally produced jasmine rice, which has a unique fragrance and taste, due to the high concentration of sodium and silica components in the soil. The project includes improving the area’s irrigation systems and developing the infrastructure for farmers to produce high-quality rice to certified international standards such as GMP and ISO.

Farmers in the Thung Kula area have been encouraged to form themselves into six “co-operatives,” each with its own mill, to produce jasmine rice for sale. The Ministry of Agriculture and Co-operatives has encouraged the development of one co-managed brand of jasmine rice that the farmers in the area can “own.” This system enables the farmers to bypass the middlemen, who would normally buy their rice very cheaply, process it themselves in their own mills, and then sell the final product at a premium price under their own brands. Equipped with modern rice mills, all certified to international standards of manufacturing, the local farmers have instead been enabled to create and sell their own brand.

The farmers started the branding process by focusing on the fundamentals. Consumer research was conducted in order to understand consumers’ consumption habits and attitudes toward brands. Over 100 key members of the six co-operatives were educated about the branding process and instructed in the key elements that contribute to building a great brand. Forty managers in total from all the co-operatives then got together to craft the brand strategy, starting with what they wanted their brand to stand for emotionally in the minds of consumers, and extending through to the brand personality and brand positioning.

The co-operatives stipulated which rice seeds farmers were to use, available from certified nurseries in the area, and agreed on uniform milling standards (for instance, a standard length and
color of the grain). A team of quality control inspectors was assigned to check the quality of every batch of production from each of the six mills. These and other measures resulted in a great-quality, standard product that delivered on the brand promise. In return, the co-operatives agreed to buy only from their co-operative members.

The rice was marketed under the brand name “Thung Kula Farm.” The name evoked the heritage of the land, while also referring to the farmers’ decision to join forces to create their own brand. Confident of the high quality and unique fragrance of the product, the farmers then positioned their brand head-on with premium-grade jasmine rice from other parts of the country, and with other big brand names produced by the middlemen, with the goal of exporting the brand in the future.

Understanding how consumers develop an emotional connection with brands, Thung Kula Farm has escaped the commodity trap and become a symbol of love and care. The farmers’ own love for their product, as evidenced by the care they take in its production, is seen by consumers as extending to their love for their families, as evidenced by their selection of this particular brand of high-quality rice.

In the selection of packaging for their product, the farmers decided to move away from the traditional rice bag to the modern-day 5kg package suitable for today’s housewives. The gold and purple packaging design, colors not traditionally used for commodity rice products, reinforces the product’s “elegant” brand personality. The “caring” personality of the brand was portrayed through special package design for ease of handling and to avoid the use of extra plastic bags (care for the earth). Every touchpoint of the Thung Kula Farm brand has been managed to ensure that customers have only great experiences with the brand.

This has been a good beginning for a brand co-managed by a group of farmers; and from a marketing point of view, the business has a unique competitive advantage. The bigger brands of packaged rice normally have to buy their raw produce from rice fields all over the country, which results in a product of
variable quality. By contrast, the farmers of the Thung Kula area are able to bring to market a high-quality product, with a unique fragrance, whose consistency is second to none. And consistency in product quality is at the heart of success for any business and brand.

Despite these advantages, Thung Kula Farm faces quite a few challenges over the long term. One of the key challenges will be the farmers’ ability to market and distribute their product. Traditionally, the middlemen to whom they sold their product performed these functions. In addition to sharpening their trading skills, they need to learn how to build business connections with modern trade channels.

Investment in the brand is another key challenge. In order to compete with big brand names in the market, Thung Kula Farm needs to invest in its brand, from creating awareness to enhancing loyalty and trust, particularly in the first few years following its launch. The responsible government agencies may need to provide some support in this area. Finally, the ultimate challenge will be the unity of the six co-operatives. They must work together as one team with one vision if they are to consistently manage customers’ experiences with the brand. This will be a long-term journey, but the brand is likely to be successful, driven by loyalty and trust from happy customers.

Change from Product Responsibility to Customer Relationship Responsibility

Another interesting development has been the move away from the management of product(s) to the management of customer relationships, signified by the fact that some companies are now giving brand managers responsibility for specific groups of customers, across an entire product range. In this respect, brand management is becoming customer management. Customer relationship management, as a discipline, is now regarded as a necessary part of the brand manager’s skill repertoire. This topic is dealt with in detail in Chapter 7.
Change from Managing the Physical Brand World to Both Physical and Virtual Brand Worlds

The onset of Web 2.0 (the new digital Internet revolution) has forced traditional brand companies to enhance their established Internet branding strategies. The virtual world raises additional problems for the brand manager, especially in terms of providing consumers with a consistent brand experience. The Internet world is complex and extremely volatile, but the rewards can be huge. The rules of branding in the virtual world are somewhat different from those that apply in the physical world; nevertheless, it is a “must have.” It is true to say now that any brand manager or company with expectations of building a strong brand must create a viable and attractive online strategy.

In addition to the use of the Internet as a brand-building vector by traditional brands, we have recently witnessed the gradual demise of traditional advertising and other media, as the Internet has given consumers more power in the brand-building process. The growth of the digital world has hit traditional brand building with a tsunami-like force, and brands can now be built with enormous speed. Companies such as Google, YouTube, MySpace, and Facebook have all developed into hugely powerful and valuable brands in just a short time, fulfilling the wish by today’s consumers to be involved with brands that look after their needs while helping them to express themselves and build their own personal brands. The success of these brands endorses the fact that it is consumers who build brands; companies merely give them the opportunities to do so.

The impact of the digital world will be discussed at length in Chapter 7.

Change from Managing Brand Performance to Managing Brand Value and Equity

Companies have now become much more concerned with the total value of their brands, not just with profitability. The valuation of brands is by no means an exact science, but the sale of brands for prices far in excess of their asset valuation has meant that brand building has become a business in its own right. For the brand manager, this means that
several measures of performance have to be taken into account simultaneously, as brand equity measurement can include a whole host of variables, including brand awareness, brand loyalty, perceived quality, price, market share and cash-flow premiums, internationality, support, protection, and many others.

Brand valuation has come into play over the last two decades as a technique for justifying, and measuring returns on, brand investment. Brand management has now become the management of profitable strategic assets (brands) that can often be worth multiples of the net assets of the business, and so the performance of brand managers is now more closely evaluated on this basis.

Change from Financial Accountability to Social Responsibility

While those people responsible are very much judged on the financial performance of the brands under their charge, they also have to balance this with a commitment to social responsibility. Many companies are now tying their brands to the needs of communities, and helping to solve societal problems. Examples are HP, with its community programs, and General Electric (GE), with its environmental initiatives. Brand management isn’t just about creating profit at all costs, as Naomi Klein would have us believe; it is about encouraging people to do better, and helping them to enjoy a better quality of life.

Neither is it about capitalizing on events that are problematic to other people. The terrible events of September 11, 2001 gave some companies the opportunity to make money out of the tragedy and human suffering. But other companies acted in a more socially responsible manner. As Professor Stephen A. Greyser said, “Some of the immediate donations of goods and services presumably were driven by a clear philanthropic motivation.” Hallmark Cards Inc., which saw sales of greetings cards rise rapidly, was meticulous in its brand management by subjecting all cards to a special test so as not to offend. In fact, the company’s first action was to search for cards among current offerings that might be offensive. Avoiding offense was more important than boosting card sales, and Hallmark withdrew nine cards from distribution. Its second
action was to create cards that fitted the changing mood of the nation. Hallmark delivered new, patriotic cards in six weeks as opposed to the 12–15 months normally required for new product development. Dan Sifter, general manager of Hallmark’s seasonal card unit, said: “It’s a question of finding the right balance between what consumers want to say to each other—finding warmth—and striking the right patriotic note without being jingoistic.”

American Greetings took a similar stance. Within 24 hours of the attacks on New York and Washington, it posted four patriotic electronic greetings on its website (www.americangreetings.com), which offers e-cards free of charge. Visitors to the sites sent 350,000 of these greetings during the first week after the attacks.

Brand management is all about building relationships with consumers, not about taking advantage of those relationships. Companies such as Enron that behave in an unsatisfactory way are likely to proceed to bankruptcy or to face legal action, or both. An abundance of such cases revealing poor accountability, transparency, and corporate governance in the last few years has led to an increase in corporate social responsibility (CSR) activity; in fact, CSR is now an important part of brand management. A good CSR strategy has become a necessity for brands wishing to build and maintain trust and loyalty.

All in all, the above changes mean that brand management is a much more dynamic and complex function than it has ever been. The challenge now for many companies is to develop the right blend of skills and experience in their managers, whose focus must be clearly on the consumer, the source of brand equity and value.

So, Who Owns and Builds Brands?

The movement toward a focus on the relationship between the brand and consumers has forced managers to answer the question of who actually owns and builds brands. Until recently, many companies believed that it is they who build brands. The correct answer to this question, now acknowledged by leading brand companies, is that it is the consumer who owns and builds brands. The enlightened companies have remembered that brands exist only in the minds of consumers,
and without the psychological commitment from consumers, they are merely companies, products, and services, and will remain so.

This undisputed fact is the rationale for replacing corporate visions with brand visions, and for allowing the brand to dictate business strategy. The fact that it is consumers who own and build brands doesn’t mean that brand management has nothing to do with the brand-building process. On the contrary, brand management is the catalyst that helps consumers to recognize and build relationships with brands. Brands are relationships, and brand managers have to nurture the relationships between brands and consumers. This means, of course, that brand managers have to understand the consumer even better than before, and gain real insight into how consumers’ minds work. This only comes from outside-in thinking, as opposed to inside-out thinking—a topic that is explored in the next chapter.