

8.2: The Power of Branding

Learning Objectives

After studying this section, students should be able to do the following:

1. *Define* branding and branding strategy.
2. *Identify* the characteristics of a solid branding strategy.
3. *Explain* the concepts of brand equity and value proposition.
4. *List and discuss* the benefits of branding from the advertiser's and buyer's point of view.

What does your product or service mean to consumers?

Catherine and her team realized that the meaning of msnbc.com in the minds of their customers was not as strong as they desired. In essence, the Web site did not have a brand positioning that was distinctive, or as distinctive as they wanted. This section will discuss the power of brands. We'll learn why creating that distinct positioning of your product or service, and often your entire company, is so vital.

Branding is a way to distinguish your product or service from others using a trademarked name or logo. Brands have been around for centuries. Early craftsmen put their marks on their wares to identify who made them, and artists have long signed their artwork. Since that time, however, branding has expanded well beyond just differentiation through marks and logos. Modern brands such as Apple, Nike, Tommy Hilfiger, and Wal-Mart now communicate meaning through attributes such as accountability, consistency, and even personality traits that their names have become associated with. These meanings translate to monetary value for the firm because their brand names acquire value—consumers willingly pay a premium to buy a product carrying a respected brand name as opposed to a similar product that carries an unknown brand name.

Developing a **branding strategy** creates a clear picture of the values your product or service represents. Why is that so important? The answer is simple, yet profound: People don't buy things because of what the things *do*. They buy things because of what they *mean*. There are many MP3 players out there that do just as good a job as an iPod, but they don't convey the same image to consumers. So, one result of a solid branding strategy is to create a **barrier to entry** so that competitors will find it difficult to persuade loyal consumers to abandon their favorite product for a newcomer.



Figure 8.2 A brand logo is a key component of corporate identity. SS+K's client Delta Airlines relies upon its well-known triangular logo to inspire a feeling of familiarity among consumers.

Characteristics of a Solid Branding Strategy

Accountability

Brands impose a sense of accountability on the maker of a product. If you buy an Acme shoe and it performs poorly, you're unlikely to buy Acme shoes again. On the other hand, if you've had a good experience with Acme, you're likely to buy its shoes again and perhaps its socks, shirts, or golf clubs as well. In this way, the brand is a shorthand way of signaling quality that simplifies decision making for customers. People who know and like a given brand are more likely to buy it again.

Consistency

Brands don't have to be high end to command loyalty; they just need to communicate a consistent meaning to consumers. That might mean projecting an image of quality, but it can also mean being associated with consistently low costs (e.g., Wal-Mart), trendy fashion (e.g., Juicy Couture), or a particular lifestyle (e.g., Whole Foods Market). A brand thus serves to express key properties of the products the company produces.

Brand Personality

Just as people have personalities, so do brands. Personality refers to the traits that a person exhibits. The person may not exhibit those characteristics *all* the time, but they tend to exhibit them regularly. A **brand personality** is a set of traits that people attribute to a product as if it were a person.

Dig Deeper

Identify a brand that claims each of these personality traits. How much do you and your classmates agree on each of these choices?

- self-confident
- sincere
- serious
- wholesome
- hip
- romantic
- rugged
- sophisticated
- athletic

Creating a Corporate Image

Corporations often engage in **image advertising** to enhance the public perception of the firm in the eyes of its most important constituencies—typically the firm’s customers, employees, and local communities. Although these campaigns aim to promote the company’s public identity rather than sell a specific product, a corporation’s image is intimately tied to its brand personality. The image of the firm reflects on the image of its brands.

In 2007, for example, Dow Chemical Company allocated over \$25 million for a corporate ad campaign it called “the human element. The campaign was meant to appeal to local communities (who may or may not welcome Dow into their backyards), as well as legislators, journalists, environmentalists, employees, and shareholders. The idea behind the campaign is to show what the “human element” can do to solve some of the world’s problems, such as countering climate change and providing clean water, decent housing, health, safety, and an affordable and adequate food supply. Dow’s goal for the campaign is “to be acknowledged as the largest, most profitable, and most respected chemical company in the world.” Its CEO, Andrew Liveris, will consider the campaign a success “when a Dow employee in a bar anywhere in the world can tell the guy next to him where he works and get the response, ‘Oh, Dow. That’s good.’”

The Holy Grail: Brand Equity

Brand equity is the extent to which a consumer holds strong, favorable associations with a brand and is willing to pay more for the branded version of a product. Differentiation, accountability, consistency, and personality all support brand equity by creating a clear sense of the brand’s **value proposition**: the clearly identifiable benefit it provides relative to competing brands. As Roger Adams, senior vice president–CMO of Home Depot, said, “If you go to a grocery store or department store, there are brands on the shelf that have fundamentally the same function and one is 20 percent more than the other one. But people are paying that because there’s a belief in the brand or there’s an experience with the brand that builds trust, or they know if there’s a problem they can get service, that type of thing. And people do it every day....That’s pretty much what brand marketing is about.”

Dig Deeper

Identify your five favorite brands. What makes them special? How do they differ from other, similar products you might choose instead? Interview a set of friends about their brand preferences and determine how much their preferences agree with each other. How do you explain what you found?

Summary: Benefits of a Brand

The benefit of a brand for advertisers is higher profitability: it is less expensive to attract repeat buyers than to find new customers. Moreover, satisfied buyers may pay a higher price for a trusted brand.

Brands have benefits for the buyer:

- Signals known properties (quality, performance, cost, etc.)

- Simplifies decision making
- Simplifies repeat purchase with a memorable name or logo

Brands have benefits for the manufacturer:

- Offers legal protection (through trademarks)
- Creates a barrier to entry for competitors
- Translates to financial benefits (both for the company's bottom line and to impress Wall Street)

Key Takaway

The power of branding derives from brand differentiation, accountability, consistency, and personality. Utilizing these principles helps to establish valuable brand equity.

EXERCISES

1. List the common traits that a brand's personality might include. Create an example to illustrate how some of the traits might be included in an ad.
2. Summarize the benefits of a brand. Create one benefit list for the buyer and one benefit list for the advertiser/maker of the brand.

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