

## 9.6: Branding and Brand Development

### Learning Objectives

By the end of this section, you will be able to:

- Define branding and discuss its benefits.
- Discuss ways in which an organization can build strong brands.

### Branding

A brand is an intangible asset with tangible value. We cannot see, touch, or put a brand on a balance sheet. Rather, a brand is a feeling that is made up of the organization's promotion efforts along with consumer meaning. The value of a brand is challenging to measure, but it is often the most valuable part of a company.

Think about the Harley-Davidson brand (see Figure 9.7). What images and feelings does it evoke? Those images and feelings are its brand, and companies spend a lot of resources developing and nurturing their brands. The brand is the reason that customers purchase and advocate. A brand is the feeling associated with a product or service that gives it currency in the marketplace. The brand is the essence of the product or service and must be reinforced at every touch point. The marketing team at Harley-Davidson knows this all too well. Brand is Harley's business, and the company knows that every product, every promotion, and every event must reinforce the brand, which will build value over time to become a significant asset.



Figure 9.7 A brand like Harley-Davidson is an intangible and valuable asset whose tangible value to a company is created by an organization's promotional efforts. (credit: "Harley Davidson" by informedmag.com/flickr, CC BY 2.0)

Branding is the process of developing a brand. Successful brands engage their customers on a personal level, connecting to their emotions and needs. Some of a brand's assets, such as the brand name, brand mark, or brand positioning, can be influential in creating a feeling about a brand.

### Link to Learning: Logos

Visit the [Harley-Davidson website](#) for more logo examples. While looking at the logos, think about its name. What emotions are associated with the brand name and mark? While marketing teams can influence how a brand is seen in the marketplace, consumers often define the brand.

Did you know that the colors used in logos have meaning? This [website shares a handful of stories](#) behind the colors of famous logos.

Brands are created experiences that are shared among most loyal customers. Harley-Davidson customers experience the brand together through events and organized rides, creating brand meaning and contributing to the overall feeling.

## Benefits of Branding

The central benefit of branding is establishing a connection with customers that encourages them to purchase the brand, creating a financial return. But you may be wondering how companies can measure the impact of their brand. Brand value is the financial asset associated with a brand. Brand valuation occurs when a company is sold and becomes a part of the financial transaction, along with the assets and liabilities on the company's financial statements. There is no singular measure of brand value, so the valuation process is subjective and may be based on brand visibility, customer loyalty, and perception of the brand, along with financial measures such as revenue.

Brand equity is the additional value that a brand has over a substitute. If a consumer will pay more for one similar product over another because of the brand, that difference represents its brand equity. For example, Tide, owned by Procter & Gamble, is the market leader in the laundry space (Statista.com, 2022). While its product may not differ significantly from its competitors, Tide demands a higher price because of its brand equity. The brand equity measure is the amount a brand with equity can charge over its counterparts. Take a moment and look up the price of Tide and a few competitors. What does that tell you about Tide's brand equity?

Kevin Lane Keller developed the brand equity model to illustrate how brands can develop equity. He postulated that if a brand could develop positive associations, it could charge more than its competitors. The model begins with defining a brand through its identity. Brands should answer the question: *Who are you, and how do you solve the consumers' needs?* The second level of the model determines a brand's meaning. On one hand, *How well does the brand perform, and on the other, how does it meet consumers' social and psychological needs?* The third level of the framework is about feelings and thoughts. In other words, *What do consumers think of your brand, and what judgment do they make about it?* Finally, the top of the pyramid examines brand resonance, or how much connection, engagement, or loyalty the brand has with its consumers (Keller & Swaminathan, 2020).

### Link to Learning: Keller's Brand Equity Model

Keller's brand equity model is a prevailing framework that scholars use to think about the concept of brand equity. Check out this article to learn more about the model and how you might apply it to a brand.

## Building Strong Brands

If a brand is a combination of the efforts made by the marketing team and how consumers think, feel, and act, then there is some room for the marketing team to build a strong brand. A strong brand is resonant in the minds of consumers and solves their problems.

Building a strong brand begins with brand positioning, or the way the brand signals emotions in consumers' minds. Brands can position themselves based on an attribute—one aspect of the product or service. For example, Taco Bell has positioned itself as the option for late-night cravings. This singular aspect defines its positioning. The problem with positioning based on an attribute is that it is easily replicable by competitors.

The second method of positioning is benefiting the consumer—how the product or service solves the consumer's problem. For example, the Eggo brand's positioning is convenience. The brand solves the consumer's morning rush issue by providing a convenient breakfast solution. The benefits positioning works well for convenience products.

Lastly, a brand can position itself based on values. Values-based positioning is the most robust brand positioning because it links to a consumer's personal beliefs. For example, Ford uses the language "Built Ford Tough" in its advertising to connect to American values of hard work and determination. Ford's strategy is particularly effective because brands can connect to consumers' sense of self and how they show up to the world.

A product's brand name also focuses on consumer feelings, thoughts, and attitudes. Therefore, marketing teams spend a lot of time selecting brand names that evoke a feeling harmonious with the brand. A strong brand name also helps consumers see the benefit of the brand. For example, a favorite of many, Kellogg's Frosted Mini-Wheats, tells the consumer that they are eating something made of wheat with a touch of sugar.

A brand name should also translate effectively into a variety of languages. Finally, a brand name should be unique to that product. For example, we all know that the brand Pop-Tarts is a toaster pastry that pops out of a toaster. This is a distinctive element of the Pop-Tarts brand exemplified by its name.

Brands use trademarks (service marks) to ensure they are protected under the law. According to the United States Patent and Trademark Office (2022), a trademark can be any “word, phrase, symbol, design or a combination of these things that identified your goods and services.” Brands can trademark their names, logos, packaging, or even specific colors that represent the brand. This ensures that competitors do not replicate a known brand and cause confusion among customers. You will know a brand is trademarked if you see a “TM” or “R” near the name or logo. Take a peek in your pantry to view trademarks on food packaging.

Brands can be owned in one of four ways: national brand, private brand, licensed brand, or co-brand. Each has its unique advantages and disadvantages, which will be discussed in this section.

National brands are the name brands that sell a product or service under its corporate name and identity. Brands such as Heinz, Glaceau Smartwater, and Morton’s Salt are examples of name brands. Brand equity commands higher prices, so national brands typically charge higher prices than their private brand counterparts. National brands often pay for premium retail space, making them a convenient choice for shoppers. However, price-sensitive shoppers may be turned off by the higher prices of national brands.

Private-label brands are store brands that are similar products to a national brand and labeled privately. If you have shopped at a Walgreens, you may have seen its private-label brand of products that begin with the prefix *Wal-*. A McKinsey study indicates that price accounted for 45% of brand switchers from national to private brands, while lack of availability was a secondary reason (Begley & McOuat, 2020). The same study suggests that customers can develop loyalty to private-label brands. However, the private-label brand must create a point of differentiation relevant to the target audience in the same way that a national brand would.

Licensed brands provide the likeness of their brand as a fee for use. If you wear eyeglasses, you likely have a licensed brand name on your eyeglasses frame. Brands such as Tiffany & Co., Kate Spade, and Tommy Hilfiger do not produce eyeglasses frames. Rather, they license their brand to manufacturers like Luxottica, an Italian eyewear company that makes the product with the licensed brand name. Licensing a brand is a quick way to gain recognition and benefit from the brand’s equity. On the other hand, licensing fees can be costly and ultimately reduce profitability for manufacturers.

Finally, two or more brands may collaborate to co-brand a product. Co-branding brings the equity of each brand together for greater value. For example, Doritos and Taco Bell developed Doritos Locos Tacos, a co-branded line of tacos that feature Doritos as the shell and Taco Bell ingredients as the toppings. In this case, the two brands had a similar target audience and could benefit from the awareness and equity of the other. However, co-branding necessitates a revenue split, which could impact financial results for each brand. Table 9.2 lists the advantages and disadvantages.

Advantages and Disadvantages of Brand Types

Brand Type	Advantages	Disadvantages
National brands	Well-known by consumers; OK to charge more	Some consumers unwilling to pay more than for private-label brands
Private brands	Attract price-sensitive customers	More difficult to build brand equity
Licensed brands	Gain brand recognition and benefit from brand equity	Expensive licensing fees
Co-brands	Benefit from the equity of both brands	Revenue split between two or more brands

Table 9.2 Types of Brands: Advantages and Disadvantages

### Marketing in Practice: Trader Joe’s

Most of us do not love our weekly grocery shopping trip. Aisles upon aisles of boxes, cans, and cartons lining shelves create monotony in shopping for the food that nourishes us. We have trudged through supermarkets, piling items into our carts uninspired—until Trader Joe’s entered the scene.

Trader Joe’s has taken the drudgery of grocery shopping and created a customer experience. Using the tenets of the Blue Ocean Strategy, Trader Joe’s removed the costly parts of the traditional grocery store such as a large footprint and overwhelming stock that do not add to the customer experience. And it added Hawaiian shirts, friendly employees, interesting food selections, and a

much smaller store. The result is a true neighborhood store that is so popular that Trader Joe's fan groups have popped up all over the Internet, and the cult brand has continued growth since its inception.

So, what's the magic in creating an experience out of what used to be a chore? Trader Joe's looked at the customer experience from beginning to end to determine what its shopper values and what can go by the wayside.

Trader Joe's prioritized building its culture through empowering its "crew members." Employees at Trader Joe's are interviewed for enthusiasm and cross-trained throughout the store's operations (Mallinger & Rossy, 2007). Crew members are Trader Joe's fans themselves, are known for giving recommendations to customers, and are empowered to connect with them, adding to the neighborhood feel of the store. The food at Trader Joe's is interesting to the shopper, much of it convenient and ready to eat. Trader Joe's leverages social media to put its food front and center with recipes and easy-to-prepare pairings. Trader Joe's thinks about the in-store experience and stocks about 10% of the food of a normal supermarket, making choices easier on the customer (Wilkinson, 2021).

#### Link to Learning: Interbrand's Best Global Brands

Interbrand ranks the best global brands annually. Take a look at the [Interbrand website to see which brands make the top 100](#) and consider what attributes led them to the top of the list.

### Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

Which of the following is a benefit of a brand?

- a. Consumers always choose name brands.
- b. Brands can command higher prices.
- c. Shareholders demand strong brands.
- d. Every company must have a brand.

2.

Which of the following describes the financial asset associated with a brand?

- a. Brand price
- b. Brand name
- c. Brand equity
- d. Brand value

3.

Which of the following is NOT a means of brand positioning?

- a. Value
- b. Benefits
- c. Brand equity
- d. Attributes

4.

The Whole Foods 365 brand is an example of a \_\_\_\_\_.

- a. national brand
- b. private brand
- c. licensed brand
- d. co-brand

5.

Uber and Spotify teamed up to bring custom playlists to Uber rides. This is an example of a \_\_\_\_\_.

- a. national brand
- b. private brand
- c. licensed brand
- d. co-brand

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