The Economics of Brand and Branding - A bird's eye view

Sanjay Kumar Padhy

Associate professor,
Department of Management,
Aurora's PG College, Ramanthapur, Hyderabad.

***Abstract*: Branding is as old as civilization; it existed from ancient times and has been indispensible for every type of organizations especially commercial and industrial ones. The topic economics of brand and branding is very vast and challenging. The technology is changing at an amazing speed which shortens the product life cycle and makes the existing products obsolete very fast. The innovation in the existing products, phasing out the outdated products and introduction of new products is an ongoing process and will continue as long as there will be human life on the earth planet. Architecture of new brands, refurbishing the existing brands, merging of brands due to mergers and acquisition, withdrawal of old brands due to closures etc, will keep all the marketing managers on their toes. Further there is a very big scope for brand economics for the public sector as the cut throat competition will be getting tougher and tougher and may even go to the level of massacring the products and brands mercilessly.**

***Keywords*: Brand, branding, innovation, architecture, refurbishing**

Fundamentals and general aspects

The word **brand** dates back to Old Norse, the ancient North Germanic language from which modern Scandinavian languages derived. Brand originally referred to a piece of burning wood. It wasn't used as a verb until late Middle English, when it came to mean "mark permanently with a hot iron." By the seventeenth century, it referred to a mark of ownership made by branding. The practice of branding livestock is much older than the word. Cave paintings from the Stone Age suggest that early man might have marked cattle with symbols drawn in paint and tar. By 2000 BC, livestock owners switched to a more permanent method: burning. Egyptian funeral monuments, approximately 4,000 years old, depict branded cattle.

Brand signifies a trademark, identity or distinguishing mark, a number, design, image and in some cases even persons and animals. To give some examples UniLiver uses symbol, TATAs, Bajajs, Kirloskars, use their names. Similarly non- profit organizations like IIMs, IITs, and Rotary Club use their names as brands. Sometimes the products like Coke, Cars, and Soaps become synonyms of brands. Prefixes and suffixes of animals like Dove Soap, Monkey toothpowder, Tiger Balm, Mor (peacock) detergent, Mustang Automobiles, etc,. In politics the parties are known by the names of their leaders, like Ms Sonia Gandhi (Congress) Mulayam Singh (Samajwadi Party). In the arena of sports the popular players becomes synonyms of the games Like Don Bradman and Sachin Tendulkar for cricket, Vishwanath Anand for Chess, Mike Tyson for boxing, Tiger Woods for golf, Pele for soccer, … the list is endless. In showbiz, Amitabh Bacchan, from Bollywood, Bruce Lee, Marlyn Manro, Sophia Loren from Hollywood are some of the legends. Walt Disney for theme Park. Using the names of the countries is very common among the Airlines companies, like Air India, British Airways, Singapore Airlines, etc,

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Brand v/s Products: While brands are timeless and some even eternal as far as the human memory goes, the products have a specific life, unless of course the organizations continuously spend on innovations which can certainly add some years to the life of the products, otherwise it becomes impossible to survive the onslaught of the time and tide and many products either become useless/redundant or obsolete. The example of FIAT the queen car which once ruled the roads of Mumbai (erstwhile Bombay) as taxis is now on the verge of extinction.

Individuals as Brands: Many a times the individuals attain so much success, that their towering persona outgrows the corporate brand. The brands look miniscule before these personalities, and the brands become synonymous with their names example- Microsoft and Bill Gates, even in some cases the brands continue to get identified after their death like Apple Computers and Steve Jobs. This is also true in the social and political circles.

Brand and Trademark: There is lot of ambiguity about the perception of the term brand and many a times the terms trademarks and brands are used interchangeably as synonyms. There is a fundamental difference between the brand and the trademark, while the former is much larger and broader in scope and can encompass almost the whole corporate entity from commercial point of view, the latter is just an identification mark for an individual product. Surprisingly the trade mark as per Trade Marks Act 1999, also includes a brand. It is necessary to register the trade mark under the Act, so that legal action for Infringement and Passing Off can be instituted against the defaulter. In the nut shell while the trade mark is a affixed to a product, the brand works as an umbrella, covering several trademarks.

Brand-building: The brand being a very valuable asset, host of aspects and factors are required to be taken into consideration in brand building exercise. The initial stage is conceptualization, or ideation. The new brand should be unique, different than the existing brands as far as the design and architecture is concerned. It should not be identical or similar to the existing brands. Besides posing problems of losing out market share, it can be misguiding for the customers, existing or potentials and a delight for the competitor. Once the idea is conceived the next stage is architecture which comprises of three key levels. i] Corporate/Umbrella/Family brand, e.g. Virgin, Uniliver, Heinz. ii] Endorsed brands and Sub brands like Nestle, Kitkat. iii] Individual product brand e.g. Procter & Gamble"s Pampers, Unilver"s Dove. After the brand is created it must be registered to protect it from infringement. Like a human body the brand requires proper nurturing and development. The brand should be regularly evaluated and tested preferably through an independently agency. This will give useful feedback to the organization about the strengths and utility of the brand. The brand also needs to be refurbished and revitalized at an opportune time. It must be remembered that brands add value to the products but do not guarantee permanent sales and steady revenue.

Brand Endorsement: Brand endorsement is a critical and strategic issue and need to be handled with utmost care. Brand endorsement is a popular practice and common phenomenon particularly for the FMCG and white goods sector. Perhaps the thinking has crept in the minds of the Marketing Managers that nothing will sell without endorsement and particularly endorsement by celebrity, which could be a Filmstar, Musician, Singer, TV Host, Lyricist, Playwright, prominent Sportsman, Academicians, Fashion Designers etc., Bollywood Superstars like Amitabh Baccahan, Shah Rukh Khan, Salman Khan, Hritik Roshan, Famous Actresses like AshwaryaRai, Katrina Kaif, KareenaKapooretc,. can be seen selling soaps, detergent powder, shampoo, Laptops and other electronic gadgets. Similarly film stars from South, Bengali, Gujrati, Bhojpuri also sell the goods and wares. Among famous sportsmen Sachin Tendulkar, M.S. Dhoni, Saina, are few names.

Celebrity endorsements do boost the sale of the product, if the product is essentially of good quality. Conversely the bad product cannot be sold even with the endorsement of very popular celebrity. Some celebrities are having too many endorsements. The case in point is that of megastar Amitabh Bacchan. He is over exposed and doing the endorsements as if there is no tomorrow. The same is the case with M.S. Dhoni. There is no direct evidence that volume of sales of the goods vary in direct proportion with the fame of the celebrity but when the fame of the celebrity is waning or the celebrity gets embroiled in some scams/controversies it is better to withdraw the endorsement as soon as possible.

Age is an important factor when it comes to matching of the products with the persona of the celebrity. Like condoms, soft drinks, vitamins, fancy clothes, face whiteners etc,.Are sold by the younger celebrities while pain killers, medicine for joints pain etc are sold by the older ones. There are however some products which have apparently no relationship with the age like Salt, Hand wash, Paint, Cement, Locks, Jewelry which can be sold by celebrity of any age group. Celebrity endorsement is not necessary for all the products. Products like MDH Spices are being endorsed by the patriarch / owner himself, who is quite old.

Luxury Brands: Managing Luxury brands poses an altogether different kind of problem. A product can be said as a luxury when it shows superior quality and carries a higher price tag than its tangible functions, as compared to its substitutes and enhances the status of the buyer in the society. There is no cut and dry formula to describe a luxury. As the perceptions about luxury differ from person to person so its meaning varies from customer to customer. In general the luxury goods represent pure creation, unique work of art, masterpiece, materialized perfection, great workmanship etc. The target market for the luxury goods was always meant for the high net worth individuals and the super-rich people in the past, but the trend seems to be changing with increase in disposable income in the hands of middle class people. Easy availability of Credit /Loans and flashy lifestyle are paving the way for middle class and neo rich who go hungry for the luxury items. The demand for Luxury Sedans, Apartments, Villas, Jewelry, Wrist Watches, Pens, Mobile hand-sets, Clothes and other accessories of males and females… the list is big, has seen remarkable surge in last decade not only the world over but also in India notwithstanding the recession. What is most surprising is the fact that many customers belong to the two and three tier cities. Of course the great recession of 2008-09 took its toll and as always happens the demand for luxury products get worst hit in such times. It was estimated that, every 3 out of 5 luxury goods companies experienced downturn and incurred losses during that period according to the study by the "Luxury marketing Council" who surveyed about 400 US companies. A report of The Economist (April 2009) identified the two major reasons for the tightening of purse by the riches. The first one is the hit on their portfolios as the markets came crashing and the other reason was purely psychological- that by spending on luxury goods in recession, just for show off looked a bad idea. Although there is a specific segment being a niche market, the other issues related with the branding are like celebrity endorsements, heavy advertising costs, falling volumes due to slow growth rate of new market, opening of new outlets and branches in the domestic and international markets. Further the problem becomes more complex because the market is flooded with fakes and replicas and the market is getting overcrowded, therefore the choice becomes very difficult.

Co- Branding: Co-branding is an arrangement that associates a single product or service with more than one brand name, or otherwise associates a product with someone other than the principal producer. The typical co-branding agreement involves two or more companies acting in cooperation to associate any of various logos, color schemes, or brand identifiers to a specific product that is contractually designated for this purpose. The object for this is to combine the strength of two brands, in order to increase the premium consumers are willing to pay, make the product or service more resistant to copying by private label manufacturers, or to combine the different perceived properties associated with these brands with a single product. Most prominent examples are Bacardi and Coke, Ariel and Whirlpool, M&Ms and Pilsbury, Canon copiers and Ricoh. The most popular example of co-branding is the laptops or computers, say the Dell or Acer computer carrying the logo of P-4 Inside or intel i 3 CORE inside.

Brand extension or **brand stretching:** It is a marketing strategy in which a firm marketing a product with a well-developed image uses the same brand name in a different product category. The new product is called a **spin-off**. Organizations use this strategy to increase and leverage brand equity (definition: the net worth and long-term sustainability just from the renowned name). An example of a brand extension is Jello-gelatin creating Jello pudding pops. It increases awareness of the brand name and increases profitability from offerings in more than one product category. In the 1990s, 81 percent of new products used brand extension to introduce new brands and to create sales. Launching a new product is not only time-consuming but also needs a big budget to create brand awareness and to promote a product's benefits. Brand extension is one of the new product development strategies which can reduce financial risk by using the parent brand name to enhance consumers' perception due to the core brand equity.

While there can be significant benefits in brand extension strategies, there can also be significant risks, resulting in a diluted or severely damaged brand image. Poor choices for brand extension may dilute and deteriorate the core brand and damage the brand equity. Most of the literature focuses on the consumer evaluation and positive impact on parent brand. In practical cases, the failures of brand extension are at higher rate than the successes. Some studies show that negative impact may dilute brand image and equity. In spite of the positive impact of brand extension, negative association and wrong communication strategy do harm to the parent brand even brand family.

Brand equity: It is a phrase used in the marketing industry which describes the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more revenue simply from brand recognition (that is from products with that brand name than from products with a less well known name), as consumers believe that a product with a well-known name is better than products with less well-known names. Brand equity refers to the value of a brand.

In the research literature, brand equity has been studied from two different perspectives: cognitive psychology and information economics. According to cognitive psychology, brand equity lies in consumer's awareness of brand features and associations, which drive attribute perceptions. According to information economics, a strong brand name works as a credible signal of product quality for imperfectly informed buyers and generates price premiums as a form of return to branding investments. It has been empirically demonstrated that brand equity plays an important role in the determination of price structure and, in particular, firms are able to charge price premiums that derive from brand equity after controlling for observed product differentiation. While most brand equity research has taken place in consumer markets, the concept of brand equity is also important for understanding competitive dynamics and price structures of business-to-business markets. In industrial markets competition is often based on differences in product performance. It has been suggested however that firms may charge premiums that cannot be solely explained in terms of technological superiority and performance-related advantages. Such price premiums reflect the brand equity of reputable manufacturers. Three brand equity drivers were selected by researchers from numerous factors that have impact on a brand: brand awareness, brand perspective, and brand attachment.

Brand equity is strategically crucial, but famously difficult to quantify. Many experts have developed tools to analyze this asset, but there is no agreed way to measure it. As one of the serial challenges that marketing professionals and academics find with the concept of brand equity, the disconnect between quantitative and qualitative equity values is difficult to reconcile. Quantitative brand equity includes numerical values such as profit margins and market share, but fails to capture qualitative elements such as prestige and associations of interest. Overall, most marketing practitioners take a more qualitative approach to brand equity because of this challenge. In a survey of nearly 200 senior marketing managers, only 26 percent responded that they found the "brand equity" metric very useful. Some marketing researchers have concluded that brands are one of the most valuable assets a company has, as brand equity is one of the factors which can increase the financial value of a brand to the brand owner, although not the only one. Elements that can be included in the valuation of brand equity include (but not limited to) changing market share, profit margins, consumer recognition of logos and other visual elements, brand language associations made by consumers, consumers' perceptions of quality and other relevant brand values.

Conclusion

Brands and branding are central to the understanding of the market structure of consumer goods industries. On the demand side, we have discussed three potential effects of branding. First, brands may enhance the consumption utility of branded goods relative to unbranded substitutes. Second, brands may reduce search costs and stimulate consumer consideration. Finally, brands may signal product quality and affect consumer demand through reputation. These different influences of branding on consumers generate several striking patterns in purchase behavior including brand loyalty and inertia, a form of switching costs, and longer-term persistence in brand choice as consumers learn and change their beliefs about quality of branded goods.

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