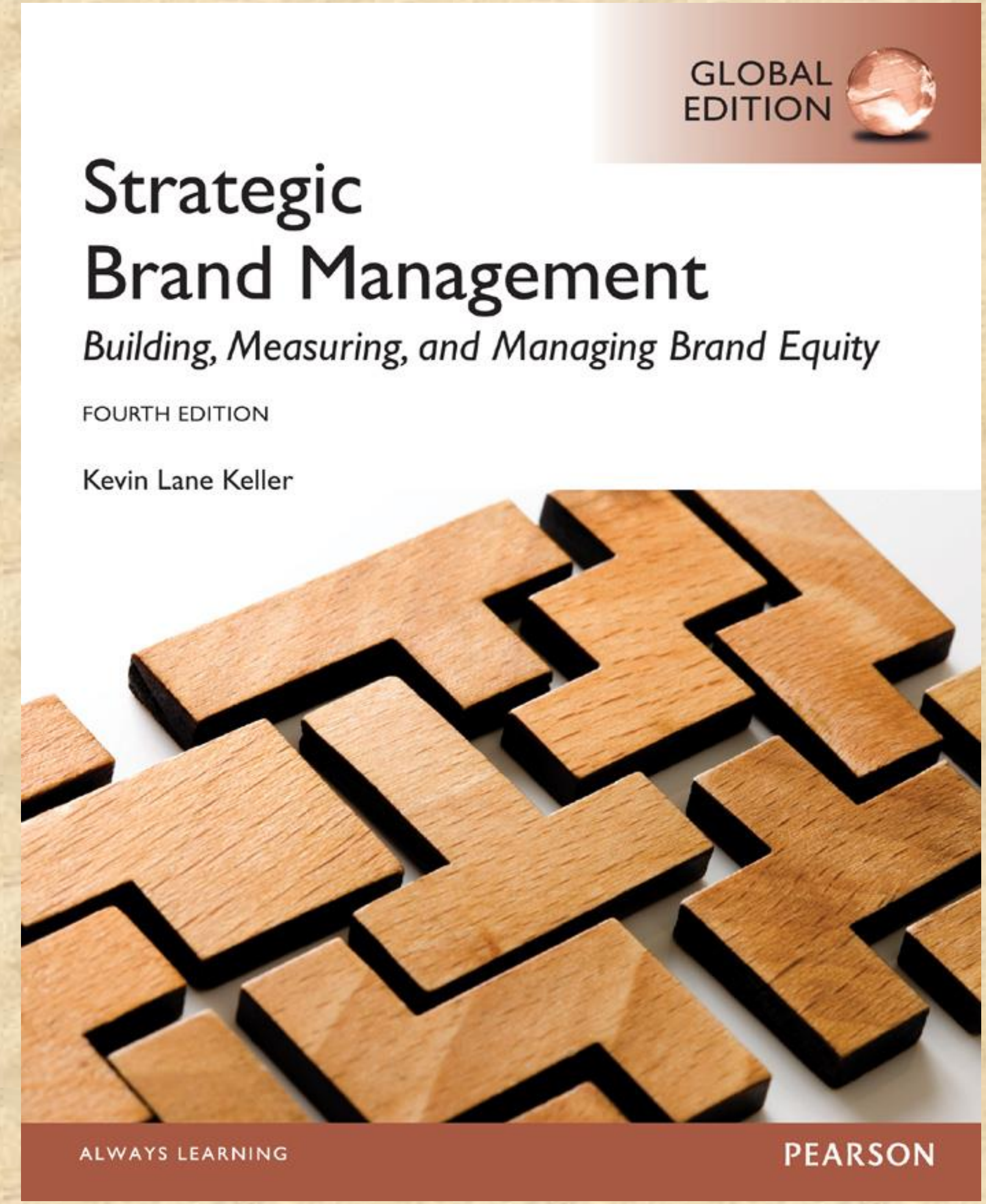
Instructor

Morteza Maleki, PhD



Customer-Based Brand Equity and Brand Positioning

2

Learning Objectives

After reading this chapter, you should be able to

1. Define customer-based brand equity.
2. Outline the sources and outcomes of customer-based brand equity.
3. Identify the four components of brand positioning.
4. Describe the guidelines in developing a good brand positioning.
5. Explain brand mantra and how it should be developed.

Starbucks' unique brand positioning helped to fuel its phenomenal growth.
Source: AP Photo/Ted S. Warren

Preview

Preview

- Great brands are not accidents.
  - They are a result of **thoughtful** and **imaginative planning**.

Preview

- Anyone building or managing a brand must carefully develop and implement **creative brand strategies** – at **three levels** of Brand positioning model, Brand resonance model, and Brand value chain model.

Preview

- Like the famous Russian nesting matryoshka dolls, the three models are interconnected and in turn become larger in scope:
  - The **first model** is a component in the **second model**; the **second model**, in turn, is a component in the **third**.
  - Combined, the three models provide crucial **micro** and **macro perspectives** on successful brand building.

Preview

1) Brand positioning model describes how to establish competitive advantages in the minds of customers in the marketplace;

2) Brand resonance model describes how to take these competitive advantages and create intense, active loyalty relationships with customers for brands; and

3) Brand value chain model describes how to trace the value creation process to better understand the financial impact of marketing expenditures and investments to create loyal customers and strong brands.

Customer-based Brand Equity

Customer-based Brand Equity

- Two questions often arise in brand marketing:

  1) What makes a brand strong?
  2) How do you build a strong brand?

Customer-based Brand Equity

Defining Customer-Based Brand Equity (CBBE)

- The CBBE concept approaches brand equity from the perspective of the consumer; whether the consumer is
  - An individual or an organization
  - An existing or prospective customer.

Customer-based Brand Equity

Defining Customer-Based Brand Equity (CBBE) …

- ✓ Marketers face two fundamentally important **questions**:
  1) What do different brands mean to consumers? and
  2) How does the **brand knowledge** of consumers affect their **response** to marketing activity?

Customer-based Brand Equity

- The basic premise of the CBBE concept is that the power of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time.

- In other words, the power of a brand lies in what resides in the minds and hearts of customers.

Customer-based Brand Equity

The Challenge:

- Ensuring that customers have the right type of experiences with products and services and their accompanying marketing programs so that the desired **thoughts**, **feelings**, **images**, **beliefs**, **perceptions**, **opinions**, and **experiences** become linked to the brand.

Customer-based Brand Equity

- We formally define customer-based brand equity as the **differential effect** that **brand knowledge** has on **consumer response** to the marketing of that brand.

Customer-based Brand Equity

- A brand has **positive** customer-based brand equity when consumers **react more favorably** to a product and the way it is marketed when the brand is identified than when it is not (say, when the product is attributed to a fictitious name or is unnamed).

Customer-based Brand Equity

- Customers might be more accepting of a new brand extension for a brand with positive customer-based brand equity, less sensitive to price increases and withdrawal of advertising support, or more willing to seek the brand in a new distribution channel.

Customer-based Brand Equity

- On the other hand, a brand has **negative customer-based brand equity** if **consumers react less favorably to marketing activity** for the brand compared with an unnamed or fictitiously named version of the product.

Customer-based Brand Equity

1) **Differential Effect**

- ✓ Brand equity arises from **differences** in consumer response.
- ✓ If no differences occur, then the brand-name product can essentially be classified as a **commodity** or a **generic version** of the product.
- ✓ Competition, most likely, would then just be based on **price**.

Customer-based Brand Equity

2) **Brand Knowledge**

- ✓ Differences in response are a result of **consumers' knowledge** about the brand, that is, what they have **learned**, **felt**, **seen**, and **heard** about the brand as a result of their **experiences** over **time**.

- ✓ Although strongly influenced by the marketing activity of the firm, brand equity ultimately depends on what resides in the **minds** and **hearts** of consumers.

Customer-based Brand Equity

3) **Consumer Response to Marketing**

- ✓ Customers' differential responses, which make up brand equity, are reflected in perceptions, preferences, and behavior related to **all aspects of brand** marketing.

- ✓ For example, including **choice of a brand**, **recall of copy points from an ad**, **response to a sales promotion**, and **evaluations of a proposed brand extension**.

Customer-based Brand Equity

Improved perceptions of product performance
Greater loyalty
Less vulnerability to competitive marketing actions
Less vulnerability to marketing crises
Larger margins
More inelastic consumer response to price increases
More elastic consumer response to price decreases
Greater trade cooperation and support
Increased marketing communication effectiveness
Possible licensing opportunities
Additional brand extension opportunities

Customer-based Brand Equity

Brand Equity as a Bridge

- According to the customer-based brand equity concept, **consumer knowledge** drives **the differences** that manifest themselves in terms of brand equity.
- This realization has important **managerial implications**.
- Brand equity provides marketers with a vital strategic bridge from their past to their future.

Customer-based Brand Equity

I. **Brands as a Reflection of the Past**.

- ✓ Marketers should consider all the dollars spent on manufacturing and marketing products each year not so much as "**expenses**" but as "**investments**" in what consumers **saw**, **heard**, **learned**, **felt**, and **experienced** about **the brand**.

Customer-based Brand Equity

I. **Brands as a Reflection of the Past**. …

- ✓ If not properly **designed** and **implemented**, these **expenditures** <u>may not be good</u> **investments**, in that they may not have created the right knowledge structures in consumers' minds, but we should consider them investments nonetheless.

Customer-based Brand Equity

I. **Brands as a Reflection of the Past**. …

- The quality of the investment in brand building is the most critical factor, not the quantity beyond some minimal threshold amount.
  - It is possible to "**overspend**" on brand building if money is **not** being spent **wisely**.

Customer-based Brand Equity

II. **Brands as a Direction for the Future.**

- ✓ The brand knowledge that marketers create over time dictates appropriate and inappropriate future directions for the brand.

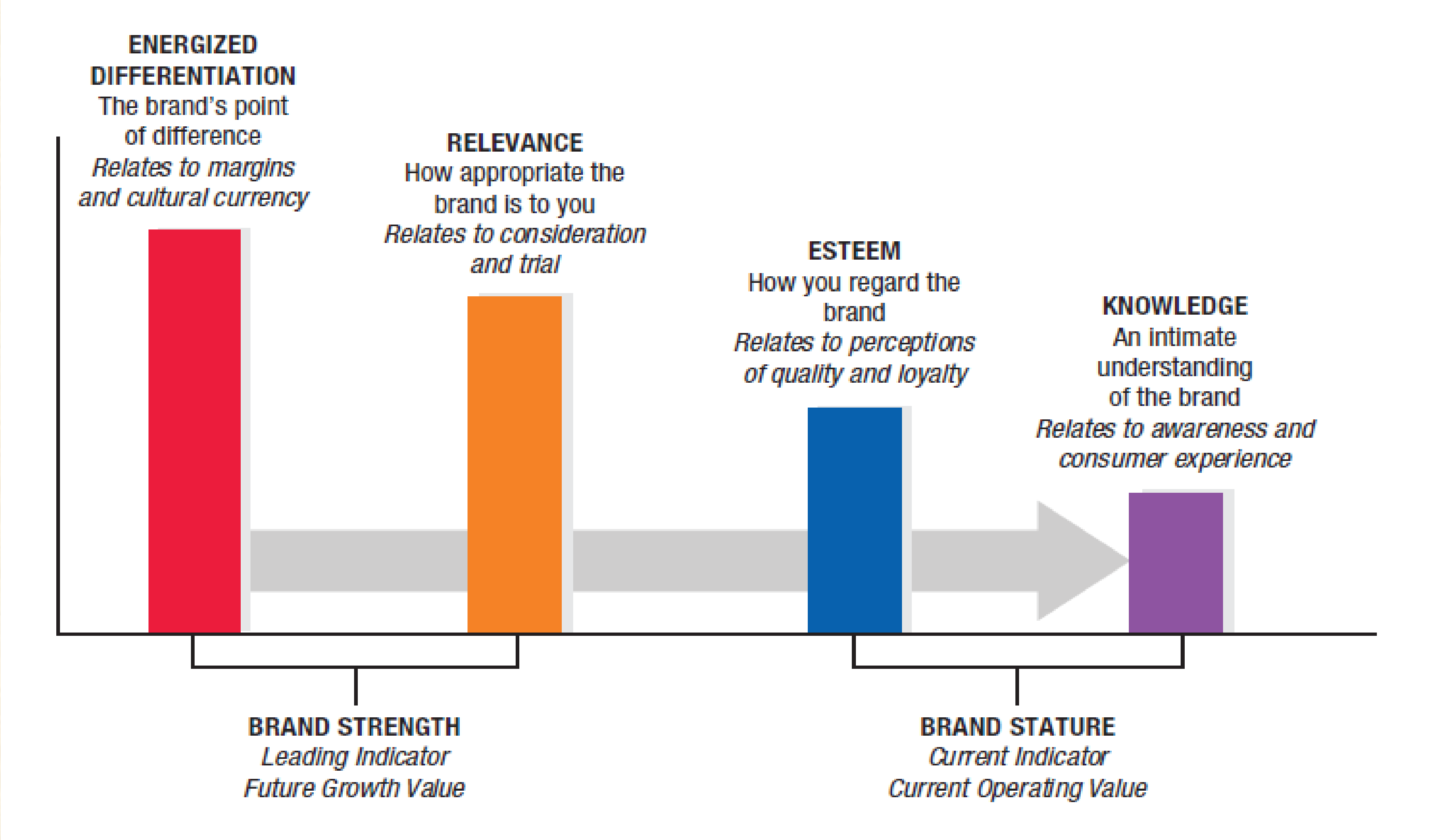
- ✓ Consumers will decide, based on their brand knowledge, where they think the brand should go and grant permission (or not) to any marketing action or program.

Customer-based Brand Equity

II. **Brands as a Direction for the Future. …**

- ✓ The true value and future prospects of a brand rest with consumers and their knowledge about the brand.
  - ✓ Brand equity can offer focus and guidance, providing a means to interpret past marketing performance and design future marketing programs.
  - ✓ Everything the firm does can help enhance or detract from brand equity.

Customer-based Brand Equity



Making a Brand Strong: Brand Knowledge

Making a Brand Strong: Brand Knowledge

- What marketers here need is an insightful way to represent how brand knowledge exists in consumer memory.

  - The associative network memory model views memory as a network of nodes and connecting links, in which nodes represent stored information or concepts, and links represent the strength of association between the nodes.

Making a Brand Strong: Brand Knowledge

- Any type of information—whether it's **verbal**, **abstract**, or **contextual**—can be **stored in the memory network**.

- We can consider **brand knowledge** as having two components:
  1) Brand awareness and
  2) Brand image

Making a Brand Strong: Brand Knowledge

- Brand Awareness is related to the strength of the brand node or trace in memory, which we can measure as the consumer's ability to identify the brand under different conditions.
  - It is a necessary, but not always a sufficient, step in building brand equity.

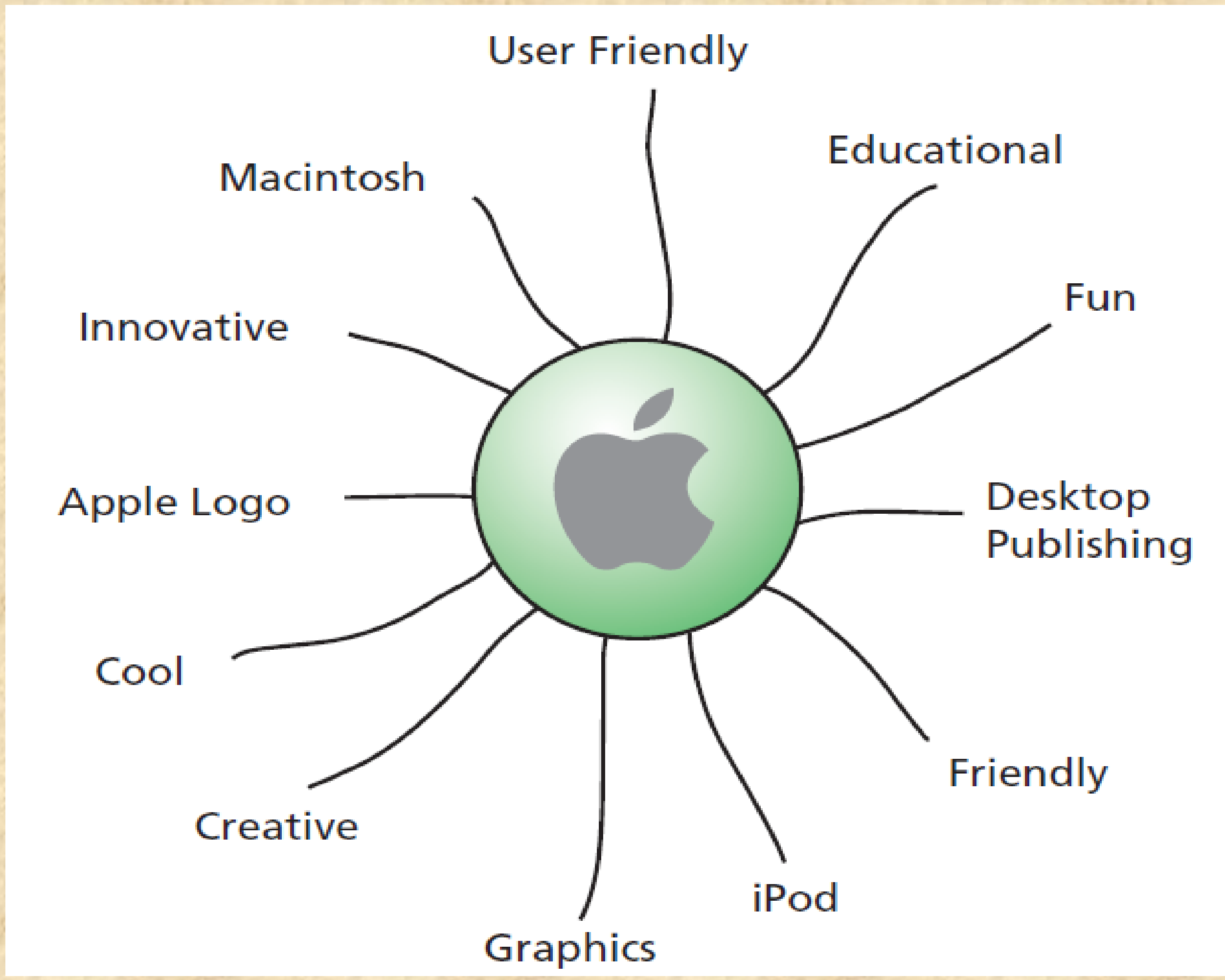
Making a Brand Strong: Brand Knowledge

- Brand Image is **consumers' perceptions about a brand**, as reflected by the **brand associations** held in consumer memory.

  - Brand associations are the **other informational nodes linked to the brand node in memory** and **contain the meaning of the brand for consumers**.

  - Associations come in all forms and may **reflect characteristics** of the product or aspects independent of the product.

Making a Brand Strong: Brand Knowledge



Sources of Brand Equity

Sources of Brand Equity

- Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable, and unique brand associations in memory.

Sources of Brand Equity

- In some cases, brand awareness alone is enough to create favorable consumer response; for example, in low-involvement decisions when consumers are willing to base their choices on mere familiarity.

- Yet, the strength, favorability, and uniqueness of brand associations play a critical role in determining the differential response that makes up brand equity.

Sources of Brand Equity

- ✓ If customers perceive the brand as only representative of the product or service category, then they'll respond as if the offering were unbranded.

Sources of Brand Equity

Brand Awareness

Brand awareness consists of **brand recognition** and **brand recall** performance:

1) Brand recognition is consumers' **ability to confirm prior exposure** to the brand when **given the brand as a cue**.

- When they go to the store, will they be able to **recognize** the brand as one to which they have already been exposed?

Sources of Brand Equity

NOTE: If research reveals that many consumer decisions are made **at** the point of purchase, where the brand **name**, **logo**, **packaging**, and so on will be **physically present** and **visible**, then brand recognition will be important.

Sources of Brand Equity

Brand Awareness

2) Brand recall is consumers' ability to **retrieve the brand from memory** when **given the product category**, the **needs** fulfilled by the category, or a **purchase** or **usage** situation **as a cue**.

NOTE: If consumer decisions are mostly made in settings away from the point of purchase then brand recall will be more important.

Sources of Brand Equity

Advantages of Brand Awareness

1) Learning Advantages:

- ✓ Brand awareness **influences the formation** and **strength of the associations** that make up the brand image.
- ✓ To create a brand image, marketers must first establish a **brand node** in memory, the nature of which affects how easily the consumer learns and stores additional brand associations.
- ✓ The first step in building brand equity is to register the brand in the minds of consumers.

Sources of Brand Equity

2) Consideration Advantages:

- ✓ Consumers must consider the brand whenever they are making a purchase for which it could be acceptable or fulfilling a need it could satisfy.

- ✓ Raising brand awareness increases the likelihood that the brand will be a member of the consideration set, the handful of brands that receive serious consideration for purchase.

Sources of Brand Equity

2) Consideration Advantages: …

- ✓ Much research has shown that **consumers are rarely loyal to only one brand** but instead **have a set of brands they would consider buying** and another—possibly smaller—set of brands they actually buy on a regular basis.

✓ Because consumers typically **consider only a few brands for purchase**, making sure that the brand is in the **consideration set** also makes other brands **less likely** to be **considered** or **recalled**.

Sources of Brand Equity

3) Choice Advantages:

- ✓ It can affect choices among brands in the consideration set, even if there are essentially no other associations to those brands.

- ✓ For example, consumers have been shown to adopt a decision rule in some cases to buy only more familiar, well-established brands.
  - ✓ In low-involvement decision settings, a minimum level of brand awareness may be sufficient for product choice, even in the absence of a well-formed attitude.

Sources of Brand Equity

- Based on the elaboration-likelihood model, consumers may make choices based on brand awareness considerations <u>when they have low involvement</u>.

  - Low involvement results when consumers lack either purchase motivation (they don't care about the product or service) or purchase ability (they don't know anything else about the brands in a category).

Sources of Brand Equity

1) Consumer purchase motivation:

- ✓ Although products and brands may be critically important to marketers, choosing a brand in many categories is **not a life-or-death decision** for most consumers.

Sources of Brand Equity

1) Consumer purchase motivation: …

- ✓ Despite millions of dollars spent in TV advertising over the years to persuade consumers of product differences, 40 percent of consumers in one survey believed all brands of gasoline were about the same or did not know which brand was best.

✓ **A lack of perceived differences** among brands in a category is likely to leave consumers unmotivated about the choice process.

Sources of Brand Equity

2) Consumer purchase ability:

- Consumers in some product categories just **do not have the necessary knowledge** or **experience** to judge product quality even if they so desired.

  - Products with a **high degree of technical sophistication**, like telecommunications equipment with state-of-the-art features.

  - But consumers may be **unable to judge quality** even in low-tech categories.

Sources of Brand Equity

2) Consumer purchase ability: ….

- ✓ Product **quality** is often **highly ambiguous** and **difficult to judge** without a great deal of prior experience and expertise.
  - ✓ Consumers will use whatever **shortcut** or **heuristic** they can come up with to make their decisions in the best manner possible.
  - ✓ Sometimes they **simply choose the brand** with which they are most **familiar** and **aware**.

Sources of Brand Equity

Establishing Brand Awareness

(How do you create brand awareness?)

- Creating **brand awareness** means **increasing the familiarity of the brand** through **repeated exposure**, although this is generally **more effective** for brand **recognition** than for brand **recall**.
  - The more a consumer "**experiences**" the brand by **seeing it**, **hearing it**, or **thinking about it**, the more likely he or she is to strongly register the brand **in memory**.

Sources of Brand Equity

- Anything that causes consumers to **experience** one of a **brand's element** — its name, symbol, logo, character, packaging, or slogan, including advertising and promotion, sponsorship and event marketing, publicity and public relations, and outdoor advertising — can increase **familiarity** and **awareness** of that brand element.

Sources of Brand Equity

- Repetition increases recognizability, but improving brand recall also requires linkages in memory to appropriate product categories or other purchase or consumption cues.
  - A slogan or jingle creatively pairs the brand and the appropriate cues (and, ideally, the brand positioning as well, helping build a positive brand image).
  - Other brand elements like logos, symbols, characters, and packaging can also aid recall.

Sources of Brand Equity

- The way marketers **pair the brand** and **its product category**, such as with an **advertising slogan**, helps determine the strength of product category links.

  - For brands with **strong category associations**, the **distinction between brand recognition and recall** may not matter much—consumers thinking of the category are likely to think of the brand.

Sources of Brand Equity

- In competitive markets or when the brand is new to the category, it is more important to emphasize **category links** in the marketing program.

  - **Strong links** between the brand and the category or other relevant cues may become especially important over time if the product meaning of the brand changes through brand **extensions**, **mergers**, or **acquisitions**.

Sources of Brand Equity

Brand Image

- Creating a positive brand image takes marketing programs that link strong, favorable, and unique associations to the brand in memory.

- Brand associations may be either brand attributes or benefits.
  - **Brand attributes** are those descriptive features that characterize a product or service.
  - **Brand benefits** are the personal value and meaning that consumers attach to the product or service attributes.

Sources of Brand Equity

- Consumers form beliefs about brand attributes and benefits in different ways.
  - The definition of customer-based brand equity, **however**, does not distinguish between the source of brand associations and the manner in which they are formed;
  - All that matters is their strength, favorability, and uniqueness.

Sources of Brand Equity

- ✓ Consumers can form brand associations in a variety of ways other than marketing activities:
  1) Direct experience;
  2) Online surfing;
  3) Information from other commercial or nonpartisan sources such as *Consumer Reports* or other media vehicles;
  4) Word of mouth; and
  5) Assumptions or inferences consumers make about the brand itself, its name, logo, or identification with a company, country, channel of distribution, or person, place, or event.

Sources of Brand Equity

- Marketers should recognize the influence of these other sources of information by both managing them as well as possible and by adequately accounting for them in designing communication strategies.

Sources of Brand Equity

I. **Strength** of Brand Associations

- ✓ The more deeply a person **thinks** about product information and **relates** it to existing **brand knowledge**, the **stronger** the resulting **brand associations** will be.

- ✓ **Two** factors that **strengthen** association to any piece of information are **its personal relevance** and **the consistency with which it is presented over time**.

Sources of Brand Equity

- The particular associations we recall and their salience will depend not only on the strength of association, but also on the retrieval cues present and the context in which we consider the brand.

Sources of Brand Equity

- **Direct experiences** create the strongest brand attribute and benefit associations and are particularly influential in consumers' decisions when they accurately interpret them.

- **Word-of-mouth** is likely to be particularly important for restaurants, entertainment, banking, and personal services.

Sources of Brand Equity

- **Company-influenced sources of information**, such as **advertising**, are often likely to create the weakest associations and thus may be the most easily changed.
  - To overcome this hurdle, **marketing communication programs** use creative communications that cause consumers to elaborate on brand-related information and relate it appropriately to **existing knowledge**.

Sources of Brand Equity

II. **Favorability** of Brand Associations

- Marketers create favorable brand associations by convincing consumers that the **brand possesses relevant attributes and benefits** that satisfy their needs and wants, such that they form **positive overall brand judgments**.
  - Consumers will not hold all brand associations to be equally **important**, nor will they view them all **favorably** or value them all **equally** across different purchase or consumption situations.

Sources of Brand Equity

- Brand associations may be situation or context-dependent and vary according to what consumers want to achieve in that purchase or consumption decision.
    - An association may be valued in one situation but not another.

Sources of Brand Equity

III. Uniqueness of Brand Associations.

- ✓ The essence of brand positioning is that the brand has a sustainable competitive advantage or "unique selling proposition" that gives consumers a compelling reason why they should buy it.

  - ✓ Marketers can make this unique difference explicit through direct comparisons with competitors, or they may highlight it implicitly.

  - ✓ They may base it on performance-related or non-performance-related attributes or benefits.

Sources of Brand Equity

- Although unique associations are critical to a brand's success, **unless the brand faces no competition**, it will most likely share some associations with other brands.
  - One function of shared associations is to establish **category membership** and define the scope of competition with other products and services.

Sources of Brand Equity

- Because the **brand is linked to the product category**, some **category associations** may also become linked to the brand, either **specific beliefs** or **overall attitudes**.

    - **Product category attitudes** can be a particularly important determinant of **consumer response**.

Sources of Brand Equity

- In almost all cases, some product category associations will be shared with all brands in the category.
- The strength of the brand associations to the product category is an important determinant of brand awareness.

Identifying and Establishing Brand Positioning

Identifying and Establishing Brand Positioning

Basic Concept

- Brand positioning is the "act of designing the company's offer and image so that it occupies a **distinct** and **valued place** in the **target customer's minds**."
  - It means finding the proper "location" in the minds of a group of consumers or market segment, so that they think about a product or service in the "right" or desired way to maximize potential benefit to the firm.

- Good brand positioning helps **guide marketing strategy** by clarifying what a brand is all about, how it is unique and how it is similar to competitive brands, and why consumers should purchase and use it.

Identifying and Establishing Brand Positioning

- Deciding on a positioning requires determining a frame of reference (by identifying the target market and the nature of competition) and the optimal points-of-parity and points-of-difference brand associations.

- Marketers need to know
  1) Who the target consumer is,
  2) Who the main competitors are,
  3) How the brand is similar to these competitors, and
  4) How the brand is different from them.

Identifying and Establishing Brand Positioning

Target Market

- ✓ Different consumers may have **different brand knowledge structures** and thus **different perceptions** and **preferences** for the brand.

✓ A **market** is the set of all actual and potential buyers who have **sufficient interest in, income for**, and **access to** a product.

✓ **Market segmentation** divides the market into **distinct groups of homogeneous consumers** who have **similar needs and consumer behavior**, and who thus require **similar marketing mixes**.

- ✓ It requires making **trade-offs** between **costs** and **benefits**.

Identifying and Establishing Brand Positioning

- ✓ **Segmentation Bases**

B2B Segmentation Basis	Consumer Segmentation Basis
Nature of Good	**Behavioral**
Kind	User status
Where used	Usage rate
Type of buy	Usage occasion
	Brand loyalty
	Benefits sought
Buying Condition	**Demographic**
Purchase location	Income
Who buys	Age
Type of buy	Sex
	Race
	Family
Demographic	**Psychographic**
SIC code	Values, opinions, and attitudes
Number of employees	Activities and lifestyle
Number of production workers	**Geographic**
Annual sales volume	International
Number of establishments	Regional

Identifying and Establishing Brand Positioning

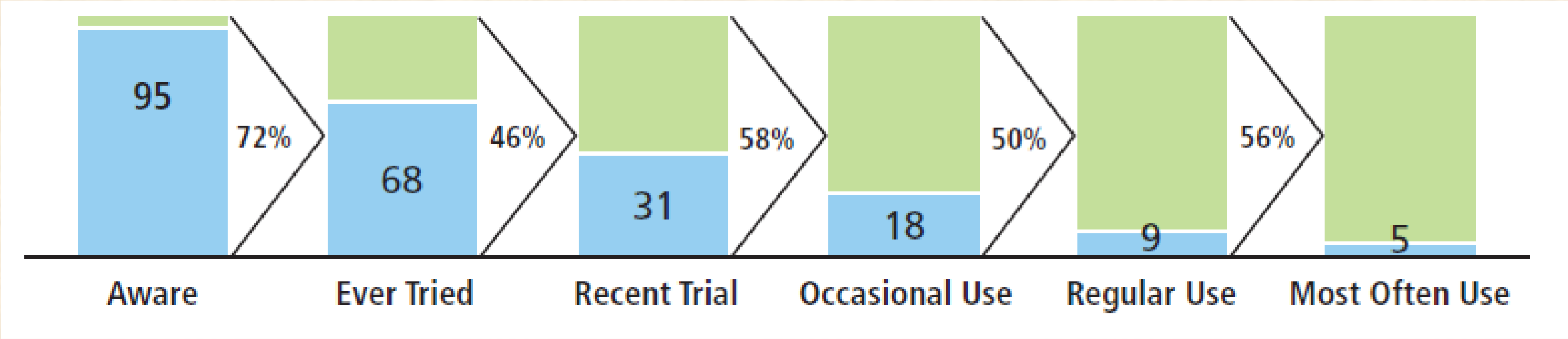
- ✓ Behavioral segmentation bases are often most valuable in understanding branding issues because they have clearer strategic implications.
  - ✓ For example, defining a **benefit segment** makes it clear what should be the **ideal point-of-difference** or desired benefit with which to establish the positioning.

For Toothpaste Industry

1. *The sensory segment:* Seeking flavor and product appearance
2. *The sociables:* Seeking brightness of teeth
3. *The worriers:* Seeking decay prevention
4. *The independent segment:* Seeking low price

Identifying and Establishing Brand Positioning

- Other segmentation approaches build on brand loyalty in some way.
  - The classic "funnel" model traces consumer behavior in terms of initial awareness through brand-most-often-used.



- For the purposes of brand building, marketers want to understand both
  1. The percentage of target market that is present at each stage and
  2. Factors facilitating or inhibiting the transition from one stage to the next

Identifying and Establishing Brand Positioning

Criteria

- A number of criteria have been offered to guide **segmentation** and **target market** decisions:
  1) Identifiability*:* Can we easily identify the segment?
  2) Size*:* Is there adequate sales potential in the segment?
  3) Accessibility*:* Are specialized distribution outlets and communication media available to reach the segment?
  4) Responsiveness*:* How favorably will the segment respond to a tailored marketing program?

- The obvious overriding consideration in defining market segments is **profitability**.
  - In many cases, profitability can be related to behavioral considerations.
  - Developing a segmentation scheme with direct customer lifetime value perspectives can be highly advantageous.

Identifying and Establishing Brand Positioning

Nature of Competition

- Deciding to **target a certain type of consumer** often defines **the nature of competition**, because
  1) **Other firms** have also decided to **target that segment** in the past or plan to do so in the future, or
  2) Consumers in that segment already may **look to other brands** in their purchase decisions.

Identifying and Establishing Brand Positioning

- **Competitive analysis** considers a whole host of factors in order for marketers to choose markets where consumers can be profitably served—including

    1) The resources,
    2) Capabilities, and
    3) Likely intentions of various other firms

Identifying and Establishing Brand Positioning

Indirect Competition

- Even if a brand does not face direct competition in its product category, and does not share performance-related attributes with other brands, it can still share more abstract associations and face indirect competition in a more broadly defined product category.
  - A maker of educational software products may be implicitly competing with all other forms of education and entertainment, such as books, videos, television, and magazines.

- Competition often occurs at the benefit level rather than the attribute level.

Identifying and Establishing Brand Positioning

- Products are often organized in **consumers' minds** in a hierarchical fashion, meaning that marketers can define competition at a number of different levels;

- For Instance Fresca:
  - At the **product type level**, it competes with **non-cola-flavored soft drinks**;
  - At the **product category level**, it competes with **all soft drinks**; and
  - At the **product class level**, it competes with **all beverages**.

Identifying and Establishing Brand Positioning

Multiple Frames of Reference

- ✓ A brand could be identified with **more than one frame of reference**.

- ✓ This may be the result of
  1) **Broader** category competition or
  2) The intended **future growth** of a brand, or
  3) The same **function** can be performed by **different types of products**

Identifying and Establishing Brand Positioning

- For example, Canon EOS Rebel digital cameras compete with digital cameras from Nikon, Kodak, and others, but also with photo-taking cell phones.
  - Their advantages against cell phones—such as easy photo sharing on social networks like Facebook or the ability to shoot high-definition video for sharing—would not necessarily be an advantage at all against other digital camera brands.

Identifying and Establishing Brand Positioning

Points-of-Difference (PODs) Association

- ✓ Points-of-Difference associations (PODs) are defined as attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand.

- ✓ Brand associations could be
  - ✓ Functional,
  - ✓ Performance-related considerations or
  - ✓ Abstract, imagery-related

- ✓ Consumers' actual brand choices often depend on the perceived uniqueness of brand associations.

Identifying and Establishing Brand Positioning

Points-of-difference may rely on

1) Performance Attributes

- ✓ Hyundai provides six front and back seat "side curtain" airbags as standard equipment on all its models for increased safety.

2) Performance Benefits

- ✓ Magnavox's electronic products have "consumer-friendly" technological features, such as television sets with "Smart Sound" to keep volume levels constant while flipping through channels and commercial breaks, and "Smart Picture" to automatically adjust picture settings to optimal levels.

3) Imagery Associations

- ✓ The luxury and status imagery of Louis Vuitton or the fact that British Airways is advertised as the "world's favourite airline".

Identifying and Establishing Brand Positioning

- Many top brands attempt to create a point-of-difference on "overall superior quality," whereas other firms become the "low-cost provider" of a product or service.

Identifying and Establishing Brand Positioning

- ✓ PODs are generally defined in terms of consumer benefits.

- ✓ These benefits often have important underlying "proof points" or reasons to believe (RTBs); these proof points can come in many forms:
  - ✓ Functional design concerns (a unique shaving system technology, leading to the benefit of a "closer electric shave");
  - ✓ Key attributes (a unique tread design, leading to the benefit of "safer tires");
  - ✓ Key ingredients (contains fluoride, leading to the benefit of "prevents dental cavities"); or
  - ✓ Key endorsements (recommended by more audio engineers, leading to the benefit of "superior music fidelity").

Identifying and Establishing Brand Positioning

Points-of-Parity Associations

- ✓ Points-of-parity associations (POPs) are **not** necessarily **unique** to the brand but may in fact be shared with other brands.

- ✓ There are three types:
  1) Category,
  2) Competitive, and
  3) Correlational.

Identifying and Establishing Brand Positioning

I. Category points-of-parity

- They exist minimally at the generic product level and are most likely at the expected product level.

- For instance, consumers might not consider a bank truly a “bank” unless
  - It offered a range of checking and savings plans;
  - Provided safety deposit boxes, traveler’s checks, and other such services; and
  - Had convenient hours and automated teller machines.

Identifying and Establishing Brand Positioning

- Category POPs may change over time because of technological advances, legal developments, and consumer trends, but these attributes and benefits are like "greens fees" to play the marketing game.

Identifying and Establishing Brand Positioning

II. Competitive points-of-parity

- ✓ They are those associations designed to negate competitors' points-of-difference.

✓ If a brand can "break even" in those areas where its competitors are trying to find an advantage and can achieve its own advantages in some other areas, the brand should be in a strong—and perhaps unbeatable—competitive position.

Identifying and Establishing Brand Positioning

III. Correlational points-of-parity

- ✓ They are those **potentially negative associations** that arise from the **existence** of **other, more positive associations** for the brand.

✓ One **challenge** for marketers is that many of the attributes or benefits that make up their POPs or PODs are **inversely related**.

Identifying and Establishing Brand Positioning

- In the minds of consumers, if your brand is good at **one thing**, it can't be seen as also good on something else.
  - For example, consumers might find it hard to believe a brand is "**inexpensive**" and at the same time "**of the highest quality**."

Low price vs. high quality
Taste vs. low calories
Nutritious vs. good tasting
Efficacious vs. mild
Powerful vs. safe
Strong vs. refined
Ubiquitous vs. exclusive
Varied vs. simple

Positioning Guidelines

Positioning Guidelines

- Two key issues in arriving at the optimal competitive brand positioning are:

  1) Defining and communicating the competitive frame of reference and
  2) Choosing and establishing points-of-parity and points-of-difference.

Positioning Guidelines

Defining and Communicating the Competitive Frame of Reference

- ✓ A starting point in defining a competitive frame of reference for a brand positioning is to determine category membership (With which products or sets of products does the brand compete?).

  - ✓ Choosing to compete in different categories often results in different competitive frames of reference and thus different POPs and PODs.

Positioning Guidelines

- The **product's category membership** tells consumers about the **goals** they might achieve by using a product or service.

  - For **highly established products and services**, category membership is not a focal issue.
    - **Coca-Cola** is a leading brand of soft drink,
    - **Kellogg's Corn Flakes** is a leading brand of cereal,
    - **McKinsey** is a leading strategy consulting firm, and so on.

Positioning Guidelines

- There are many situations in which it is important to inform consumers of a **brand's category membership**.
  - Perhaps the most obvious is **the introduction of new products**, where the **category membership** is not always apparent.

Positioning Guidelines

- Sometimes consumers know a brand’s category membership but may not be convinced the brand is a true, valid member of the category.
  - For example, consumers may be aware that Sony produces computers, but they may not be certain whether Sony Vaio computers are in the same “class” as Dell, HP, and Lenovo.
  - In this instance, it might be useful to reinforce category membership.

Positioning Guidelines

- Brands are sometimes affiliated with categories in which they do not hold membership rather than with the one in which they do.
  - This approach is a viable way to highlight a brand's point-of-difference from competitors, provided that consumers know the brand's actual membership.

Positioning Guidelines

- The preferred approach to positioning is to inform consumers of a brand's membership before stating its point-of-difference in relationship to other category members.

Positioning Guidelines

- There are **three** main ways to convey a **brand's category membership**:

    1) Communicating **category benefits**,
    2) Comparing to **exemplars**, and
    3) Relying on a **product descriptor**.

Positioning Guidelines

I. Communicating Category Benefits

- ✓ These **benefits** are presented in a manner that **does not imply brand superiority** but merely notes that the brand possesses them as a means to establish **category POPs**.

- ✓ **Performance** and **imagery** associations can provide supporting evidence.

Positioning Guidelines

- A cake mix might attain membership in the cake category by claiming the benefit of great taste and might support this benefit claim by possessing high-quality ingredients (performance) or by showing users delighting in its consumption (imagery).

Positioning Guidelines

II. Exemplars

- ✓ Well-known, noteworthy brands in a category can also be used as exemplars to specify a brand's category membership.

- ✓ When Tommy Hilfiger was an unknown designer, advertising announced his membership as a great American designer by associating him with Geoffrey Beene, Stanley Blacker, Calvin Klein, and Perry Ellis, who were recognized members of that category at that time.

Positioning Guidelines

III. Product Descriptor

- The **product descriptor** that follows the brand name is often a very compact means of **conveying category origin**.

  - **For example**, **US Air** changed its name to **US Airways**, according to **CEO Stephen Wolf**, as part of the airline's attempted **transformation from a regional carrier** with a poor reputation to a **strong national** or even **international brand**.

  - The argument was that **other major airlines** had the word **airlines** or **airways** in their names rather than **air**, which was felt to be typically associated with **smaller, regional carriers**.

Positioning Guidelines

Choosing Points-of-Difference

- In determining whether an **attribute** or **benefit** for a **brand** can serve as **point-of-difference**, there are three key considerations:

  - **Desirability** is determined from the **consumer's point of view**,
  - **Deliverability** is based on a **company's inherent capabilities**, and
  - **Differentiation** is determined **relative to the competitors**

Positioning Guidelines

- ✓ These three considerations for developing an optimal positioning align with the three perspectives on which any brand must be evaluated, namely the consumer, the company, and the competition.

Positioning Guidelines

- ✓ To function as a POD, consumers ideally would
  1) See the attribute or benefit as highly important,
  2) Feel confident that the firm has the capabilities to deliver it, and
  3) Be convinced that no other brand could offer it to the same extent

Positioning Guidelines

- ✓ If these three criteria are satisfied, the brand association should have sufficient **strength**, **favorability**, and **uniqueness** to be an **effective POD**.

Positioning Guidelines

I. Desirability Criteria

- ✓ Target consumers must find the **POD** personally **relevant** and **important**.
- ✓ Brands that **tap into growing trends** with consumers often find compelling PODs.
  - ✓ For example, Apple & Eve’s pure, natural fruit juices have ridden the wave of the **natural foods movement** to find success in an increasingly health-minded beverage market.

Positioning Guidelines

- Just being different is not enough—**the differences must matter to consumers**.
  - For example, at one time a number of brands in different product categories (**colas, dishwashing soaps, beer, deodorants, gasoline**) introduced clear versions of their products to better differentiate themselves.
  - The "**clear**" association has not seemed to be of enduring value or to be sustainable as a point-of-difference.

Positioning Guidelines

II. Deliverability Criteria

- ✓ The deliverability of an attribute or benefit brand association depends on
  1) Company's **actual ability** to make the product or service (**feasibility**)
  2) Their **effectiveness** in **convincing consumers** of their ability to do so (**communicability**).

Positioning Guidelines

III. Differentiation Criteria

- ✓ Target consumers must find the POD distinctive and superior.

- ✓ When marketers are entering a category in which there are established brands, the challenge is to find a viable, long-term basis for differentiation.

  - ✓ Is the positioning preemptive, defensible, and difficult to attack?
  - ✓ Can the brand association be reinforced and strengthened over time?

Positioning Guidelines

Establishing Points-of-Parity *and* Points-of-Difference

- ✓ The key to branding success is to establish **both points-of-parity** *and* **points-of-difference**.

The challenges?

- ✓ The **inverse relationships** that may exist in the minds of many consumers.
- ✓ Consumers typically want to **maximize both the negatively correlated attributes** and **benefits**.
- ✓ **Worse**, competitors often are trying to achieve their **point-of-difference** on an **attribute** that is **negatively correlated** with the point-of-difference of the **target brand**.

Positioning Guidelines

- The best approach clearly is to develop a product or service that **performs well on both dimensions**.

- Additional ways to address the problem of negatively correlated POPs and PODs includes:
  1) Separate the Attributes
  2) Leverage Equity of Another Entity
  3) Redefine the Relationship

Positioning Guidelines

I. Separate the Attributes.

- An **expensive** but sometimes **effective approach** is to **launch two different marketing campaigns**, each devoted to a **different brand attribute** or **benefit**.

- These campaigns may run **concurrently** or **sequentially**.
  - For example, **Head & Shoulders** met success in Europe with a **dual campaign** in which one ad emphasized its **dandruff removal efficacy** while another ad emphasized the **appearance and beauty of hair after** its use.

Positioning Guidelines

- The **hope** is that consumers will be less critical when judging the POP and POD benefits in isolation, because the negative correlation might be less apparent.

- **Downside**
  1. Two strong campaigns have to be developed—not just one.
  2. If the marketer does not address the negative correlation head-on, consumers may not develop as positive an association as desired.

Positioning Guidelines

II. Leverage Equity of Another Entity

- ✓ Brands can link themselves to any kind of entity that possesses the right kind of equity—**a person**, **other brand**, **event**, and so forth—as a means to establish an attribute or benefit as a POP or POD.

- ✓ **Self-branded ingredients** may also lend some **credibility** to a questionable attribute in consumers' minds.

Positioning Guidelines

III. Redefine the Relationship

- ✓ To address the **negative relationship** between attributes and benefits in the minds of consumers is <u>to convince them that in fact the relationship is positive</u>.
- ✓ Marketers can achieve this by providing consumers with a **different perspective** and suggesting that they may be overlooking or ignoring certain factors or other considerations.

Positioning Guidelines

- The case of Apple in 1980s when the company launched its personal computer:
  - Ease of Use versus Power
  - Apple's ad campaign with the tag line "The Power to Be Your Best"
  - The most powerful computers were ones that people actually used.

Positioning Guidelines

Straddle Positions

- ✓ Occasionally, a company will be able to straddle two frames of reference with one set of points-of-difference and points-of-parity.

- ✓ The points-of-difference in one category become points-of-parity in the other and vice-versa for points-of-parity.

Positioning Guidelines

- For example, Accenture defines itself as the company that combines
  - (1) Strategic insight, vision, and thought leadership and
  - (2) Information technology expertise in developing client solutions.

  - This strategy permits points-of-parity with its two main competitors, McKinsey and IBM, while simultaneously achieving points-of-difference.

- Accenture has a point-of-difference on technology and execution with respect to McKinsey and a point-of-parity on strategy and vision.
- The reverse is true with respect to IBM: technology and execution are points-of-parity, but strategy and vision are points-of-difference.

Positioning Guidelines

Updating Positioning over Time

- Positioning should be fundamentally changed very infrequently, and only when circumstances significantly reduce the effectiveness of existing POPs and PODs.

- A point-of-difference or point-of-parity may be refined, added, or dropped as situations dictate.

Positioning Guidelines

- One common market opportunity that often arises is the need to deepen the meaning of the brand to permit further expansion — laddering.

- One common market challenge is how to respond to competitive actions that threaten an existing positioning — **reacting**.

Positioning Guidelines

I. Laddering

- ✓ Once the target market attains a basic understanding of how the brand relates to alternatives in the same category, it may be necessary to deepen the meanings associated with the brand positioning.

- ✓ It is often useful to explore underlying consumer motivations in a product category to uncover the relevant associations.

Positioning Guidelines

- For example, Maslow's hierarchy maintains that consumers have different priorities and levels of needs.
  - According to Maslow, higher-level needs become relevant once lower-level needs have been satisfied.

1. Physiological needs (food, water, air, shelter, sex)
2. Safety and security needs (protection, order, stability)
3. Social needs (affection, friendship, belonging)
4. Ego needs (prestige, status, self-respect)
5. Self-actualization (self-fulfillment)

Positioning Guidelines

- Marketers have also recognized the **importance of higher-level needs**.
  - For example, **means-end chains** have been devised as a way of understanding higher-level meanings of brand characteristics.

- A means-end chain takes the following structure:
  - **Attributes** (descriptive features that characterize a product) lead to **benefits** (the personal value and meaning attached to product attributes), which, in turn, lead to **values** (stable and enduring personal goals or motivations).

Positioning Guidelines

- A consumer chooses a **product** that delivers an **attribute** (**A**) that provides **benefits** or has certain **consequences** (**B/C**) that **satisfy values** (**V**).

- **Laddering** thus progresses from **attributes** to **benefits** to more abstract **values** or **motivations**.

Positioning Guidelines

II. Reacting

- ✓ Competitive actions are often directed at **eliminating points-of-difference** to make them **points-of-parity** or to **strengthen** or **establish** new **points-of-difference**.

- ✓ Often **competitive advantages** exist for only a short period of time before competitors attempt to match them.

Positioning Guidelines

- When a competitor challenges an existing POD or attempts to overcome a POP, there are essentially three main options for the target brand:

  1. Do nothing
  2. Go on the defensive
  3. Go on the offensive

Positioning Guidelines

Developing a Good Positioning

1) A good positioning has a "**foot in the present**" and a "**foot in the future**."
2) A good positioning is careful to **identify all relevant points-of-parity**.
3) A good positioning should **reflect a consumer point of view** in terms of the **benefits** that consumers **derive** from the **brand**.

Defining a Brand Mantra

Defining a Brand Mantra

Brand Mantras

- It is a **short**, **three-** to **five-word phrase** that captures the **irrefutable essence** or **spirit** of the **brand positioning**.

- It's similar to "**brand essence**" or "**core brand promise**," and its purpose is to ensure that all **employees** and **external marketing partners** understand what the brand most fundamentally is to represent to consumers so they can **adjust their actions accordingly.**
  - For example, **McDonald's** brand philosophy of "**Food, Folks, and Fun**" nicely captures its brand essence and core brand promise.

Defining a Brand Mantra

Brand Mantras' Functions

- ✓ They can provide guidance about what products to introduce under the brand, what ad campaigns to run, and where and how the brand should be sold.

- ✓ Brand mantras create a mental filter to screen out brand-inappropriate marketing activities or actions of any type that may have a negative bearing on customers' impressions of a brand.

Defining a Brand Mantra

- Brand mantras help the brand present a consistent image.
  - Any time a consumer or customer encounters a brand—in any way, shape, or form—his or her knowledge about that brand may change and affect the equity of the brand.

Defining a Brand Mantra

Designing a Brand Mantra (What makes a good brand mantra?)

- ✓ Brand mantras must **economically** communicate what the brand is and what it is ***not***.

✓ Brands with good mantra (for example Nike and Disney) enjoy **three** features:

1) Brand Function
2) Descriptive Modifier
3) Emotional Modifier

Defining a Brand Mantra

1) The brand functions term describes the nature of the product or service or the type of experiences or benefits the brand provides.

   - ✓ It can range from concrete language that reflects the product category itself, to more abstract notions (like Nike's and Disney's), where the term relates to higher-order experiences or benefits that a variety of different products could deliver.

Defining a Brand Mantra

2) The descriptive modifier further clarifies its nature.
   - ✓ Thus, Nike's performance is not just any kind (not artistic performance, for instance) but only *athletic* performance.

3) The emotional modifier provides another qualifier—how exactly does the brand provide benefits and in what ways?

Brand Mantra Examples

- **Nike**
  - "Authentic Athletic Performance"
- **Disney**
  - "Fun Family Entertainment"
- **Betty Crocker**
  - "Homemade Made Easy"
- **American Express**
  - "Worldclass Service, Personal Recognition"

48

Defining a Brand Mantra

- ✓ Brand mantras derive their power and usefulness from their collective meaning.

- ✓ Brand mantras typically are designed to capture the brand's points-of-difference, that is, what is unique about the brand.

Defining a Brand Mantra

- ✓ For brands facing rapid growth, a brand functions term can provide critical guidance as to appropriate and inappropriate categories into which to extend.

- ✓ For brands in more stable categories, the brand mantra may focus more on points-of-difference as expressed by the functional and emotional modifiers, perhaps not even including a brand functions term.

Defining a Brand Mantra

Implementing a Brand Mantra

- Brand mantras should be developed at the same time as the brand positioning.

  - Brand positioning typically is a result of an in-depth examination of the brand through some form of brand audit or other activities.

Defining a Brand Mantra

Implementing a Brand Mantra ….

- Brand mantras may benefit from the learning gained from those activities but, at the same time, require more internal examination and involve input from a wider range of company employees and marketing staff.

Defining a Brand Mantra

Implementing a Brand Mantra ….

✓ Other considerations:

1. Communicate
2. Simplify
3. Inspire

The End