Challenges and Opportunities of Brand Management and Brand Equity- A Competitive Edge

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Abstract

Today, brands and other tangible assets represent a significant proportion of a company's enterprise value. The traditional Approach to brand management is changing and their has been shift towards a new paradigm in the marketing organization .This emerging trend represents a more away from a system focuses on the individual brand manager, who is responsible for all the business activities that relate to ensuring the success of a specific brand.

Branding identifies five major environmental forces affecting market behavior and suggests their implications for brand management. We pay some attention to interrelations among these forces and the proactive nature of brand management itself in helping shape them. Given dramatic changes in the competitive nature of product-markets and technology and their consequences in the evolving role of both distributors and facilitating organizations, it is understandable that decision processes and organizational structures used to make and implement brand decisions also may need reexamination.

Firms face difficult trade-offs between the increased importance of coordinating brand activities, both within and outside the organization, and the pressures to decentralize decision making and eliminate entire layers of management in the hope of curtailing costs. Low and Fullerton (1994) trace the evolution of brand management from the origins of the first national brands to the present. They provide an important historical perspective for many of the issues affecting brand management today. They note that brand management has proves quite adaptable to differing firm and marketing environments over its existence. As the modern corporation increasingly incorporates horizontal coordination structures, the brand manager may even become part of cross-functional teams.The original logic for the brand manager system in the multibrand firm rested on the belief that competition internally for resources would improve efforts on behalf of each brand. But managers for multiple brands in the same product category (such as Cheer, Bold, Oxydol, and Tide detergents for P & G) often competed as ruthlessly with one another as they did with counterparts from competing firms. The difficulty in coordinating marketing programs for each brand and demands for a more coherent approach to managing an entire category of products on the part of the trade led firms such as P & G recently to centralize decision making at the category level, with other firms either following or actively studying the possibility. Low and Fullerton (1994) comment that category management also affords the opportunity for more experienced executives to involve themselves with the brand management function, thereby reducing one of the weaknesses of traditional brand management.

Zenor (1994) argues that a category form of brand management organization seems inherently justified by an improved ability to coordinate pricing and other marketing efforts for a firm's different products and brands. His research uses a game theoretic model to estimate the magnitude of profit advantage that category management affords, given varying degrees of cross-brand price elasticity in the market. He demonstrates that the success of category management is enhanced when competitors are organized similarly. Estimates of gain can be compared with the costs of implementing a category management structure to decide if such a move is beneficial.

Brand managers must address the exigencies of the evolving needs of buyers within a market increasingly populated by global competitors and the opening of territorial markets. They must deal with the fuzziness of product-market boundaries aided by increased deregulation and

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competitive initiatives, which has the creation of new products / services and the lowering of costs as principal benefits.

An increasing pace of technological change, which profits from its own past successes and is given new impetus with globalization and increased competition and represents another factor contributing to blurred product market boundaries; the growing power and independence of the channels of distributions as intermediate customers, often made possible by advances in information technology; and pressure from investors to produce more predictable growth in revenue, profits, and cash flows and thus benefit from cost reduction. These forces affect buyer expectations and opportunities and by so doing impact back upon themselves, creating change.

Brand managers must realize that how competently they respond depends, in part, on how they leverage new capabilities and options presented and that their actions affect the very forces to which they respond. Throughout this paper, as appropriate, we highlight the special contributions and identifies several research opportunities this perspective efforts.

Introduction

Marketers must create competitive advantage by constantly adapting to and instigating change. An innovative product or program loses its competitive edge and the ability to command price and/or share premiums as soon as competitors are able to duplicate or counter its capabilities. Hence, successful marketers must dare to be different, to market changes are likely to be more successful if actions are guided by knowledge of the forces shaping market behavior and insights that enable the development of sustainable competitive advantages.

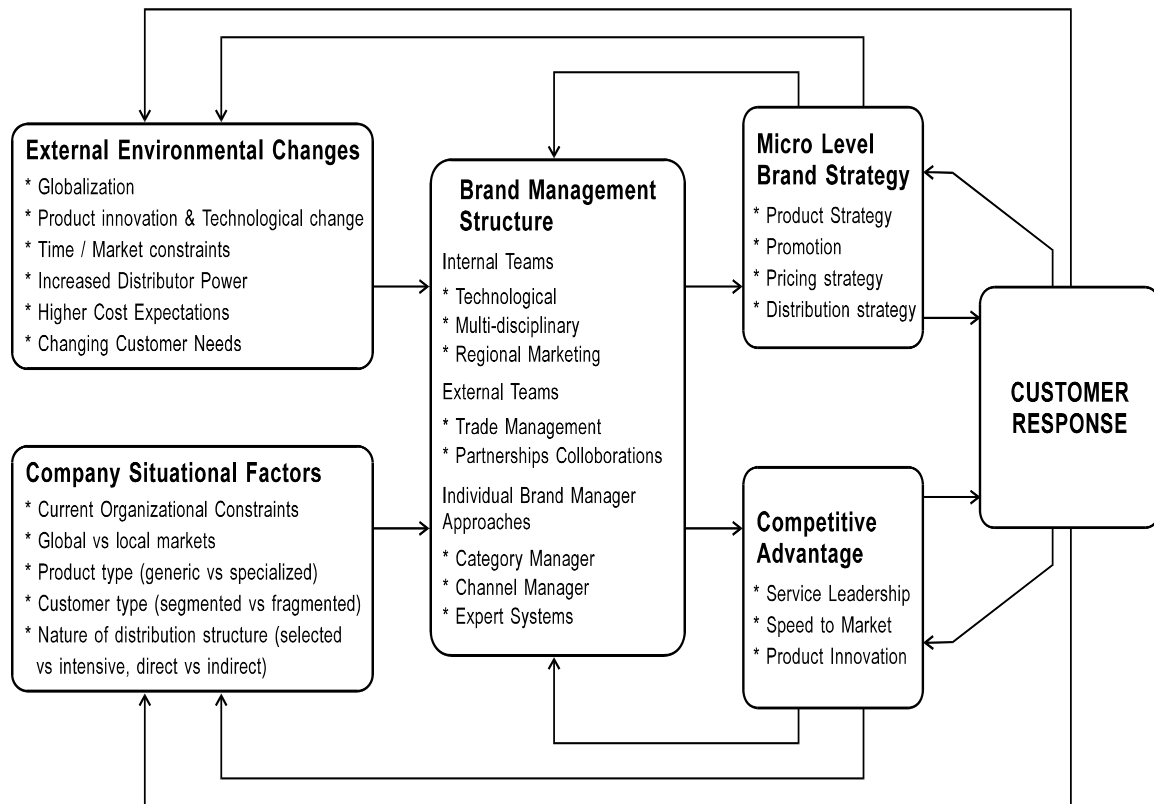
Globalization of Competition and Greater Openness of Markets:

For an increasing number of cases, the globalization of the world economy can present daunting challenges. Japanese manufacturers have had unrivaled successes in the motorcycle and consumer electronics markets, in part due to associations with quality and reliability. The December 1993 issue of Consumer Reports carries brand name ratings in six product categories: pocket knives, bread makers, SLR cameras, perfumes, rack stereos, and miniature televisions. In each category, the top rated brand, and over 60% of the top ten brands, were foreign.

This attack from global competitors accounts for many sleepless nights for brand managers. Brands often must thrive globally to survive locally.Brand management changes and competitive advantage: model elaboration A systems model of brand management will be presented in the spirit of Meade and Nason (1991) in the marketing literature. A system can be defined in terms of structure and, with respect to this, the structure of a system refers to the specified set of relationships. The importance of this lies in the identification of potential interdependence among the components, that is, the influence that one or more sets of relationships may have upon the others (Dixon, 1991). The model presented in this paper attempts to identify levels of interdependence in the brand management system to then identify hypothesized relationships between variables, The central idea of the modal is that brand management is a holistic system: it receives information from internal sources; it creates a structure to meet the needs of both internal and external constituents, and then develops strategies which should help attain competitive advantage. There are feedback loops which permit the system to receive information from a variety of sources so that the system can adapt to changes.

The existing research has revealed that external environmental changes (Shocker, 1994) and company specific variables have caused marketing organization to begin adopting new brand management system, and subsequently are changing the function of the manager, It should be noted that the changes occurring in brand management mirror those at the corporate level, as pointed out by Miller (1987) when he related the variables of strategy, structure and environment Miller (1992) further showed that firms which adapt their organizational structures to the environment are best suited to meet the needs of the external environment. The recent upheaval in marketing organizations, and specifically brand management system, reflect these findings. These

changes have led to changes in micro-level brand strategies, as well as effects on competitive advantages. The model will be elaborated in detail below, and then research propositions will be outlined which relate to the inter relationships which exist in the brand management system.



Strategic Alliances

In the face of global competition, domestic firms may seek alliances with foreign competitors, thus co-opting them and preventing their availability to competitors. Such alliances have become the norm in the auto industry. Or, given shrinking margins and profits at home, companies may seek greater opportunity in the global arena. To survive, companies often have to share costs and risks, and therefore rewards. Increasingly, they also are forced to share knowledge, distribution, and even capital via strategic alliances that can stretch organizational capabilities and change the nature of brand management. The brand manager must coordinate with counterparts outside the firm as well as traditional contacts within.

For many firms, strategic alliances with certain suppliers, distributors, and even former competitors are a key to future competitive strength. Cobranding extends to alliances between the complementary brand names of independent producers, for example, Ford's Citibank MasterCard.

<u>Collaborating with competitors :</u>

Although alliances between manufacturers with complementary skills, or between manufacturers and their suppliers and distributors, is natural and understanable, even direct competitors can find reasons to collaborate. The strength of global challenges encourages domestic competitors to form alliances and creates pressures for changes in antitrust regulation to make the alliance feasible. Global alliances may provide a way of weakening antitrust restraints. This requires new thinking and possibly a split personality for the brand manager, as he or she

cooperates in one domain while possibly remaining competitive in another. This may force new organizational arrangements on the firm.

Designing Products for Global Acceptance :

There are myriad factors that influence both customer and competitor behavior in foreign markets. An emerging strategy that seems to be succeeding is to plan globally and act locally, in which activities such as product design are conducted at a global level, but marketing and other transactional activities are customized locally. Finally, managers must be careful in coping with cultural or language differences.

The expansion into Europe was comparatively easy from a cultural standpoint. As Japan developed, the cultural differences were larger, and U.S. business had more difficulty there. As we look ahead, the cultural challenges will be larger still in the rest of Asia – from China to indonesia in Thailand to India – where more than half the world lives. U.S. companies will have to adapt to those cultures if they are to succeed in the 21st century.

The brand manager may press for flexible product designs that contain features important to all markets collectively or options that can be added readily to a basic design to satisfy local requirements. Brand management will be involved actively in seeking out, selecting from, and implementing an array of such options.

The Increasing Openness of Markets :

Deregulation often leads to increased competition from outside traditionally defined product – market boundaries. Each of these new competitors are leveraging their established relationships with customers to penetrate the credit card market rapidly. To contain threats, banks have gone into partnership with airlines and telecommunication companies to offer credit cards with “frequent user” miles.

The effects of deregulation are felt in varied industries, ranging from import / export to telecommunications, health care, and transportation. It is worth nothing that competitive forces often precede deregulation. They are both a cause and an effect. The challenge to brand management is sometimes how to adapt proactively to harsh new market realities before the protection afforded by regulation is removed.

Impact of Technologies Change :

The pace and nature of technological change is itself affected by the globalization of markets. Globalization means larger markets for the products of technology and greater need to coordinate management activities over wider expanses of distance and time. greater opportunity and reward brings more players to the table and affects the direction of research efforts. Technology can be leveraged to gain competitive advantage or technological change can be resisted by entrenched interests to their own detriment. Other impacts of technology on brand management follow.

Product Innovation :

Technological innovation often leads tonew and better ways of solving old problems. These innovative new products may offer greater functionality at lower costs and can displace existing products (e.g., compact discs replacing cassettes; camcorders replacing 8mm movie cameras), thus providing opportunities for new entrants that may not have been otherwise available. Innovations sometime provide additional opportunity for complementary products (e.g., simplified programming devices for VCRs). Brand managers are challenged to think creatively, even in mature or stable product categories. Often innovation in the nonproduct dimensions of service, imagery, distribution (e.g., direct mail), or creative pricing (e.g., frequent flyer plans) can create differentiation. The brand manager is often in a position of leadership in identifying such opportunities.

Convergence of product- markets :

Technological advances sometimes have blurred boundaries between product markets. The challenges to brand managers include (1) how to utilize skills from one product market in

another, (2) assembling and managing skills of several partners (i.e., ignoring traditional organizational boundaries) in developing and marketing new products and services, and (2) managing joint promotions and ensuring that "partner brand" strategies do not adversely affect their own brands.

Regardless of whether it is technology – driven, the search for defensible competitive advantage also has extended the boundaries of existing product categories or blurred existing definitions. Many industrial producers have discovered the added value that a recognized brand name, as an ingredient or component, can add. By establishing a credible brand present in the final consumer market, producers such as Intel, with its "Intel Inside" campaign, or Dupont, with its Stainmaster brand, are attempting to further their influence with manufacturers of personal computers and carpeting.

Time-based Competition (Market entry timing) :

In an era of rapid technological change accompanied by fast innovation, shorter product life cycles, and converging markets, time-based competition is becoming increasingly important. Companies with shorter product development cycles can close in on potential markets faster. Each product iteration enables a fast-cycle company to apply marketplace learning (e.g., features and functions that customers like or do not want), thereby potentially improving success of the next model. Brand managers acquire greater control.

When competitors can leverage similar technologies to doplicate products and services, speed is even more important.

Harvesting the best customers :

Occupying the mental corner store :

Developing a reputation for innovation :

Shorter order fulfillment cycles :

Mass customization:

The Increased Power of Distribution and the Evolution of Channels

The new level of competition in many product markets has been abetted by dramatic changes in product distribution and the behaviors of distributors. Whereas in the past, products moved in a loosely coupled fashion from manufacturers to wholesalers and retailers to the final consumer, all levels of distribution and supply now see the importance of systemwide coordination to improve operating efficiences. The advent of the term "relationship management" captures this new awareness of symbiotic interoganizational requirements for delivering customer value. For some manufacturers, this has led to the recognition that distributors are customers with their own preference functions. Conflict within the channel, in the past merely a nuisance, is now seen as a potentially fatal obstacle to the success of the brand.

Intensifying product market competition also has changed the geographic scope of product market boundaries. As markets become more global, the scope of distribution systems for most firms has broadened as well. Brand managers now recognize the incredible value of global brands – those recognized and admired throughout the world – and the difficult tasks associated with their creation and maintenance.

As the relationship between producers and distributors has intensified, the relative power of distributors, especially retailers, also has increased. The rapid diffusion of electronic scanner systems has contributed to the shift in information power from manufacturers to retailers. Now, store managers can respond quickly by examining the impact of promotions. They can tell the salesperson what works best –
and what does not. This has led the brand manager to more consultation with distributors to seek greater understanding of their perspectives.

In many cases, retailers, are demanding, and getting access to, manufacturers' products for their own private label and store brand purposes. The national brand may be forced to concentrate only on flavors or varieties in which the private label does not choose to compete.

This power shift away from the producers of branded products has led to the well-documented increase in the use of marketing actions directed at the trade rather than final consumer. Distributors, interested in profit across brands and product categories (Zenor 1994) and developing their own bonds with consumers, are prone to play manufacturers against one another, creating difficulties for sales and brand managers. This has encouraged brand managers to obtain sound market research information to become better informed in dealing with distributors. Managers of large brands can try education to wean trade customers away from promotions through "everyday low price" (EDLP) and other strategies.

Changing Consumer Markets :

It is at the product – market level that broad environmental forces are transformed into specific competitive threats and opportunities that require new and creative brand management responses. Both customers and competitors learn and adapt. Once PC buyers learned that IBM-compatible clones were reliable and used the same components as name brands, they refused to pay hefty price premiums
for IBM or Compaq. The introduction of Microsoft "Windows" improved the user-friendliness of PCs and drove Apple and IBM – compatible computers, closer together and made each more vulnerable to price competition from the other. Corporate downsizing and corresponding reduction in in-house purchasing expertise may imply increased importance for intangible "product" components such as the service and relationship dimensions. This shift may cause an increase in the importance of corporate brands and bring reward to reapportions that are compatible. The brand manager must become ever more sensitive to these possibilities. Brand management is challenged to understand the dynamics of changing markets and manage brand association.

The Usefulness of Brands :

The value of a brand name is associated closely with its awareness, quality perception, and the customer satisfaction engendered by related products and offerings, among others (Aaker 1991). Brands are symbols that consumers have learned to trust over time, and they often signal intangible product qualities (Erdem 1993). This signal is often based on "experience attributes" such as perceived reliability, quality, and safety (Nelson 1970) that products and related marketing programs afford. Such intangibles often lead to more defensible advantages for the firm relative to search attributes" (physical features and prices that are readily comparable across brands via inspection or information search) because consumer learning time and experience opportunities are limited. Search attributes, moreover, often can be copied readily by competitors, and it is only when they have not been (because of insufficient time, patent protection, proprietary production and
distribution processes, or creative promotion), that they also contribute to brand equity. Broniarczyk and Alba (1994) provide empirical support for this signaling interpretation of brand equity.

Customer satisfaction and "relationships" with a brand provide it protection from competition. Relationships put any single action in perspective, its importance evaluated against the back ground of previous experience with the brand. Consequently, managers have found that satisfied customers often have many desirable characteristics – they by more, are willing to pay more, incur lower sales and service costs, and provide referrals. This has spurred brand managers to focus on customer satisfaction as a measure of operational success.

The value imperative :

Buyers across product-markets have always demanded "value but defined it by the behaviors of competitors. Tougher economic times increase sensitivity. With added market alternatives available, they are now demanding high product quality and good customer service at reasonable prices. The increase in market share for private labels suggests consumers may be less willing to apy hefty price-premiums for the "image" component of national brands. Focus on

value requires a paradigm shift – from a price-quality relationship in which high quality could be assumed to lead high prices to one in which companies must produce high-quality products and services at ever lower prices.

Some distributors have adopted an EDLP strategy or have added "value products" to their lines. This latter strategy has resulted in the "backwards" development of new products, starting with the desired
price point and image and then designing the product and program to achieve it.

Markets also are becoming fragmented by the growing differences in tastes that accompany increasing cultural and economic diversity. Buyer differences in such factors as concern for the environment, the value of time, and health and nutrition also provide scope for differentiation. The rise of cable, with its offer of myriad channels, and the consequent decline of network television represents media response to increasing fragmentation of audiences, but it also makes it more expensive to reach potential customers. Managers of brands still face a need to provide an orchestrated message to customers, distributors, and other publics in the form of "one voice marketing". Although hardly an innovative concept, the goal of integrated marketing communications has been driven by the increasing feasibility of direct marketing activities, fragmented nature of media, emergence of more sophisticated and efficient telecommunications, and increased reliance on sales promotions relative to advertising. Each of these has made the development of a strong and consistent brand image more difficult to achieve.

Measuring market change :

Because it is inherently individual and multidimensional, brand equity can be difficult to measure, and even an appropriate measure can depend on user purpose. A variety of measures have ben proposed in the literature of offered as the proprietary products of market research
and advertising firms. Each has strengths and weaknesses and must be evaluated in light of brand management's purposes. The brand manager gains understanding of the relative contribution of product attribute perceptions and nonattribute imagery to the brand equity for different segments and enables valuation of a brand's extension to different product lines and other markets.

The rapid increase in market information for managing brands, particularly from scanner technology at the retail level, has had a major effect on how brand management decisions are made. Such research data are more objective and can be collected and processed in a timely fashion. Often historical data for a product category are immediately available to the manager when the need for them arises. Increasingly, more and better decision aids have been created to analyze such data. The different strengths of data collected at the household (micro) and store (macro) levels might be combined to offer the brand manager more detailed information about brand preferences and socioeconomic characteristics of buyers (and segments), along with information regarding the sensitivity of the market to price promotions, the impact of a brand's strategy on competitors, and the vulnerability of the brand to competitive actions.

Conclusion

Needless to say, brand managers appear increasingly challenged. The world of the brand manager is complex and becoming more so. Technology is at once a curse and an opportunity – while creating new capabilities for the brand manager; it also provides a need for new skills and different vision. The forces brand managers face are not temporary. If anything, they increase the need for the type of
coordinated management brand management traditionally has as its strength. Brands continue to have value in a competitive marketplace and undoubtedly will continue to exist. Although specific organizational forms may change, brand management itself will adapt and thrive as managers accept new challenges by improving their competitive ability.

The global management of brands, especially with respect to whether, when, and how brand names can be used as sources of competitive advantage in an increasingly global economy;

The impact of information technology on the brand management system and brand manager's job-how that job is changing as decisions are decentralized and involvement in those decision is broadened both inside and outside the organization;

How to leverage technology better when it is not proprietary to a single firm;

Better understanding the causes of individual, segment. and mark behavior (Barabba and Zaltman 1991). promising starts have been made by research dealing with purpose and context in buyer decision- making , but more is needed to understand how buyers from the criteria
they use to evaluate products and marketing offerings and how these change with different decision contexts;

Better understanding of the circumstances under which brand equity varies and when individual-or segment-level measures are better . Globalization may imply that buyers are less (more?) homogeneous then they may be domestically. The role of usage application on brand equity is poorly understood;

The relationship between the shift in power in distribution channels and the control over brand over brand names and the marketing programs that support those brands. Must private label national brand status create a fundamental distinction, irrespective of quality of the product?

The development and importance of corporate brands and brand identity, especially within business-to-business and service contexts;

The understanding of better ways to manage joint and co-branding and other forms of strategic alliances, especially those between erstwhile competitors; and

The development of more of a "system view of brands and products to include how intangibles created by the pricing promotional, service, and distribution decisions of the brand manager combine with the product itself to create brand equity and affect buyer decision making.

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