CHAPTER 4

CREATING AND MANAGING BRANDS

ALICE M. TYBOUT and GREGORY S. CARPENTER

Brands are one of the most universal aspects of modern markets. Nearly every company, whether or not it competes in consumer markets, has a brand—an identity, a name, a reputation. Goldman Sachs, USX, and Cargill are all focused on business-to-business transactions and have brands that are recognized by their buyers, just as Coca-Cola or Mercedes-Benz are known to their consumers. Every business that has customers, implicitly or explicitly, has a brand in one form or another. Similarly, nearly every consumer has seen, used, or purchased brands, and has experience with brands. As a result, brands play an important role in buyers' lives; brands provide functionality, images, and experiences, as in the case of Tide, Ralph Lauren, and Disney, respectively.

The value brands deliver to buyers has evolved as consumers and competition have changed. When competition was less intense, product quality and the value products offered varied to a degree unknown in most markets today, creating substantial risk for consumers. The quality of automobiles, restaurant meals, and even coffee varied widely. In such markets, brands served primarily as a means of signaling a consistent level of quality that one could expect to receive from a product. McDonald's, Holiday Inn, and Toyota all grew to be important symbols of consistent quality and consistent value. Since markets have become more competitive and the product quality more consistent, brands have evolved to offer yet different value. For many consumers, life has become more complicated, time too short, and the array of alternatives bewildering. At the same time, new technologies have created unfamiliar new markets and redefined familiar markets. Mobile telephones, the latest technology in a nearly century-old market, are progressing at an incredible pace, merging with the Internet, and requiring consumers to choose between CDMA, TDMA, iDen, or even

GSM format phones. Brands such as Motorola or Nokia instantly convey valuable information about what to expect from otherwise complex products. Brands serve consumers by saving time, assuring a level of quality, and simplifying choice. But brands have evolved to mean even more. In many product categories, the brand name, rather than the product, is now the primary basis for choosing one product over another. In the auto industry, for example, benchmarking and intense competition have resulted in near parity products, and the brand name is the primary characteristic distinguishing, say, a Lexus from a Toyota.

The power of brands with consumers translates directly into profits for those who own them. Indeed, Harry Silverman, CEO of Cendant, built his company on the premise that the brand is the *only* thing worth owning—everything else should be sold off. Cendant owns a variety of brands, including Days Inn, Super 8, Howard Johnson, Ramada, Century 21, Coldwell Banker, and Avis. When Silverman bought each of these companies, the first thing he did was to sell the assets to firms that were willing to manage the day-to-day operations of these businesses. Cars crash, buildings burn, but brands endure, Silverman reasons. Why own depreciating assets when someone else will? Instead of focusing on tangible assets, Silverman spends his time and energy building, extending, and milking brand names.

Silverman's faith in the power of brands is borne out by a recent assessment of the *World's Most Valuable Brands.*[1] The 1998 results of this study, which is conducted annually by Interbrand, reveal that the most valuable brand, Coca-Cola, is worth $84 billion. This figure is the value of the *brand,* apart from the remaining assets of the Coca-Cola Company. By way of comparison, the market capitalization of Home Depot is $88 billion. Moreover, the results indicate that the value of many well-established global brands accounts for more than half the entire market capitalization of the companies that own them (see Table 4.1). Specifically, 77 percent of Nike's, BMW's, and Apple's market value can be attributed to the value of these brands, while a full 59 percent of Coca-Cola's market capitalization reflects the value of its brand. The observation that many dot.com companies are spending heavily in an effort to build their brands indicates the continued appreciation of the power of brands in the so-called new economy. Several of these newer Internet brands (e.g., AOL, Yahoo!, and Amazon.com) made the $1 billion cut for Interbrand's list of the *World's Most Valuable Brands.* As yet, the value of these brands is low relative to their market capitalization. However, a recent study conducted by Corporate Branding, suggests that e-brands are rapidly rising in value, and doing so at the expense of established brands such as Coca-Cola and Disney.[2]

Table 4.1
Brand Value and Market Capitalization

Brand	*Industry*	*Market Capitalization (billions)*	*Brand Value (billions)*
Coca-Cola	Beverages	$142.2	$83.8
Disney	Entertainment	52.5	32.3
McDonald's	Food	40.9	26.2
BMW	Autos	14.6	11.2
Nike	Sporting goods	10.5	8.1
Apple	Computers	5.5	4.3
AOL	Software	24.0	4.3
Ralph Lauren	Clothing	2.5	1.6
Yahoo!	Software	12.7	1.8
amazon.com	Books	18.5	1.4

In this chapter, we examine how brands create such value. We begin by elaborating on the questions: What is a brand? How are brands created? We then turn to an examination of three different types of brands: functional brands, image brands, and experiential brands. We consider how each type of brand is best managed and how it may be leveraged through brand extensions. Finally, we explore three branding strategies; corporate, family, product, and relate these alternative approaches to the types of brands.

WHAT IS A BRAND?

Despite almost universal experience with brands, they remain poorly understood. When queried about why they buy brands such as Coca-Cola, Ralph Lauren, or Mercedes-Benz, consumers' responses typically reflect little insight into the appeal of brands. "Coca-Cola tastes better than Pepsi," some will argue. "Ralph Lauren's clothes fit me best and, besides, they're well made." "Mercedes-Benz is an incredibly well-engineered car; it will last forever." These reasons may or may not be true, but few consumers can reliably distinguish between brands of soft drinks, and most consumers in the United States keep their cars for only a few short years. Rather than deriving value from the product, buyers often seek and gain much more value from the brand, whether it is Coca-Cola, Ralph Lauren, or Mercedes-Benz. But what is that value?

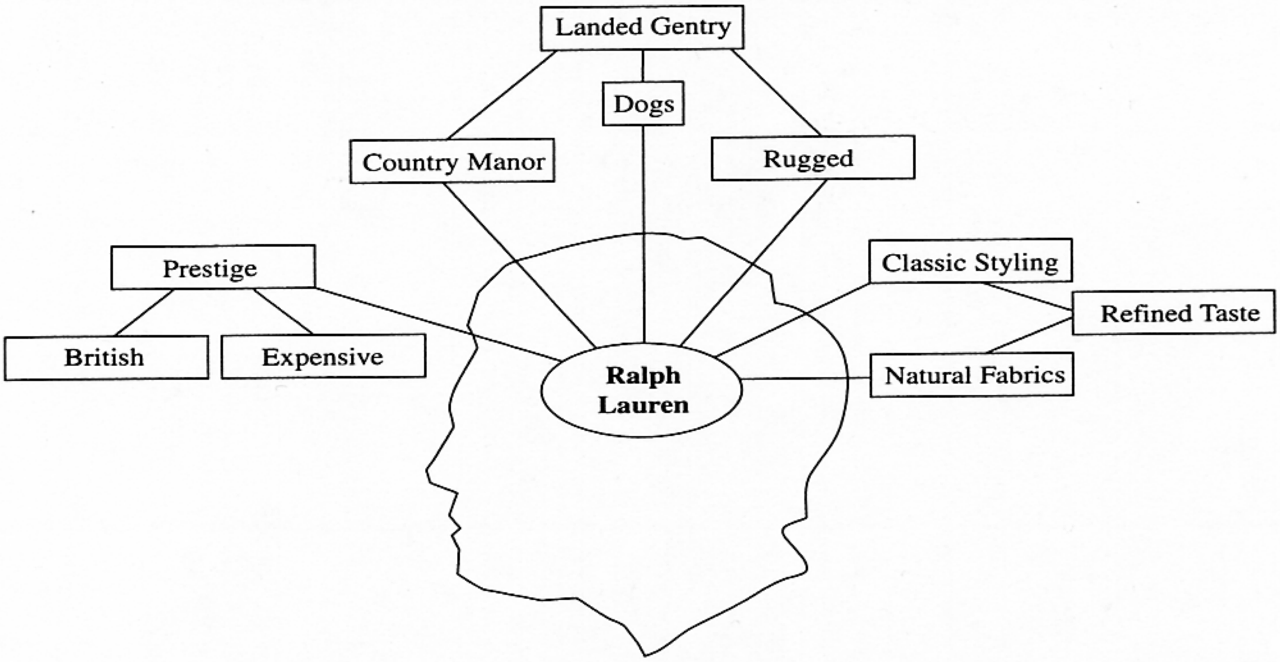
On the most basic level, a brand is a name or some symbol or mark that is associated with a product or service and to which buyers attach psychological meanings. Salt in a jar is a simple chemical substance, sodium chloride. Buyers have few associations with this substance, except perhaps for some recollections from chemistry class. Morton's Salt, on the other hand, may evoke memories of childhood, baking with Mom, and dependability. Many will easily recall, for example, that "When it rains, it pours." Likewise, a brown, fizzy, sweet soft drink is a product that many find difficult to identify correctly in a blind taste test. Coca-Cola, however, is much more than a product. It is a brand that, as it turns out, consumers feel so passionately about that they resist any effort to change it as a matter of principle; something the company learned when it introduced New Coke. Without associations and without emotion, Coca-Cola would be just water, sugar, and some spices.

The number and combination of associations that can be attached to any product to create a brand is infinite. Consider bottled water, for instance, another simple product (although slightly more complex than salt). Perrier is seen as French, with all that implies: European, sophisticated, refined, if expensive. Poland Springs, on the other hand (owned, interestingly enough, by Perrier), has as its brand equity some of the associations conveyed by its Maine heritage: honest, independent, and reasonably priced. Looking at another product category underscores the range of meanings that brands in the same product category may have. In sports utility vehicles, Toyota offers dependability, quality, and value. BMW offers driving excitement, performance, and fine engineering.

A brand can be represented visually as a network of thoughts or associations in the consumer's head. For example, consider Ralph Lauren. Through his Polo line of fashion, Ralph Lauren has created a modern expression of the English country life, the landed gentry and all that it implies—sophistication, tradition, refined taste, and understatement. This is the essential brand equity of Polo Ralph Lauren (see Figure 4.1). By contrast, another clothing brand, Levi's blue jeans, has established quite a different set of associations: American, rebellious, rugged, and youthful. Still other brands have a simpler set of associations, but these may be no less powerful. Wal-Mart is first and foremost a store with the lowest everyday prices. For decades, IBM was known primarily as being the "safe choice" for computers.

A brand's associations can be remarkably valuable to buyers. Water can be obtained easily and inexpensively in most of the world. Being French, to those not lucky enough to be so born, is more difficult. Living the English country life, though not impossible, is unlikely for most buyers. Rather than simply bottling water or manufacturing fine clothing, Perrier and Ralph Lauren make what is the privilege of the few available to the many. For that they are handsomely rewarded.

Figure 4.1
Consumer Associations to the Ralph Lauren Brand



For a brand to have value, these associations must become part of buyers' lives. When a consumer walks into a grocery and sees Coca-Cola or Morton's Salt, if there is no evocation of the brand equity, then the brand has none. Brand equity—though created through product design, advertising, distribution, and all other ways the organization touches the buyer—must ultimately reside in the minds of buyers. Without that, a brand is a product with a meaningless name attached to it.

The distinction between a product and a brand is expressed well by Stephen King of WPP Group, London:

> A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless.

HOW DO YOU BUILD A BRAND?

A common misconception is that building a brand is simply a matter of developing some clever advertising to create a desired set of associations. Certainly advertising plays an important role in building many brands, especially those that seek to differentiate from competitors on the basis of their image. However, to be successful, even image brands must have a product, a price, and a distribution channel that support the image communicated through advertising. Advertising is simply a more central component of marketing mix for some brands compared with others, as we shall discuss in greater detail later in the chapter.

To understand better the process of building a brand, consider a brand that was built from scratch, Saturn.[3] The goal for Saturn was quite ambitious: Saturn was conceived with the goal of being a world class product; a compact vehicle developed in the United States that would be a leader in quality, cost, and customer satisfaction. Saturn began by designing a strong product and offering it to the market at a reasonable price. High product quality was communicated by offering a money back guarantee within 30 days or 1,500 miles. This support for the claim that Saturn was a high quality product was important, perhaps necessary, in light of consumers' perception of the parent company, GM. However, while the car was well-designed and offered a great value, Saturn, wisely did not make functional aspects of the car the basis for brand differentiation.

Saturn quickly become known as a unique, American car company that marketed no-nonsense, reliable cars. These associations might have been used to build a brand based on the car's image. Consumers who view themselves as practical and patriotic, might have been invited to choose Saturn as a means of communicating these values to those around them. Saturn, no doubt, attracted many such consumers, but it resisted the temptation to build its brand based on this imagery.

Instead, Saturn built its brand around a key insight regarding American consumers. It recognized that for most consumers, buying a car is a distinctly unpleasant experience, as are most interactions with car dealers. Saturn sought to change all this. The essence of the Saturn idea was to invite customers into a relationship with a car company that treats them as a friend—with regard and respect. Sadly, this idea is seen by many as truly innovative in the auto industry. In contrast to the typical car buying experience, Saturn created a pleasant shopping environment. Salaried sales consultants, many of whom were hired from outside the auto industry to avoid perpetuating traditional selling tactics, were well-informed and helpful. The company's fixed price policy eliminated unpleasant haggling over price and reduced the buyer's anxiety about overpaying due to being a poor negotiator. When recalls were necessary, dealers sponsored events such as barbecues and outings to baseball games to entertain customers while their cars were serviced and washed. Dealer-sponsored gatherings of Saturn owners and tours of Saturn plants personalized the experience of owning a Saturn.

Advertising played a critical role in capturing the corporate personality, as reflected in the people who created and consumed the brand. Early ads featured employees talking about how they came together to build the Saturn culture and the pride that they felt in seeing the first car roll off the assembly line. Later ads shifted attention to customers and their passion for their cars. In all advertising, the people who were associated with the product were central, rather than the product. Advertising summarized the central concept underlying the Saturn brand with the tag line, "A different kind of company, a different kind of car."

Did Saturn build a product that was a leader in quality, cost, and customer satisfaction? Yes, it did. But that description fails to capture the essence of a brand that prompted nearly 100,000 owners from places as far away as Alaska to drive to Spring Hill for the Saturn Homecoming at the plant in June of 1994. One couple attending got married during the event, with the president of Saturn giving the bride away!

The answer to the question, "How do you build a brand?" is complex. The building of a brand is guided by a vision of the desired positioning (see Chapter 2), and is implemented by *all* the decisions related to the marketing mix. The relative importance of different elements of the marketing mix may vary, however, as a function of the type of brand that the company hopes to create. Had Saturn wished to create a *functional brand,* the focus would have been on creating associations based on the physical features of the car and the benefits that they provided. Had the goal been to build an *image brand,* greater emphasis would have been given to creating a personality for the car via advertising and other communications.

Saturn chose to create an *experiential brand*. Doing so entailed designing a strong product and pricing it fairly. And the brand undoubtedly came to have a personality—that of a thoughtful, friendly, unpretentious person. But the central associations were not to the car, but rather to the larger experience of owning a Saturn and to the relationship that owners felt with the company. In the next section, we consider these three types of brands and how they are best managed in greater detail.

TYPES OF BRANDS

Functional Brands

Functional brands are bought by consumers to satisfy functional needs—to wash their clothes, to relieve pain, to transport one's family. Many of consumers' associations with these brands are, as one would expect, related to the physical features and basic functions of the product. Successful functional brands are closely tied in buyers' minds to specific product categories and they often share many associations with other brands in the same product category. Tide is nearly synonymous with clean clothes, for instance. Beyond serving basic needs, many functional brands differentiate from their competitors, which offer much if not all of the same functionality, by offering *superior performance* or by providing *superior economy*.

Superior Performance. Gillette and its razor brands, MACH3, Sensor, Atra, Trac II, are functional brands. Gillette is strongly linked to the wet shaving category and to the function of products belonging to that category: providing a close, comfortable shave. When each Gillette brand was launched, it was positioned as offering superior performance relative to the brands that went before it. Currently, MACH3, with its triple-bladed system, claims to provide the closest, most comfortable shave available. Consumers may also have more general associations to Gillette's shaving products. For example, MACH3 may be viewed as masculine and futuristic, but first and foremost, it is a shaving system. Gillette created and maintains its position of the leading shaving company by investing heavily in R&D.

Detergents such as Tide (United States) and Ariel (Europe) are also strong functional brands that compete on the basis of superior performance. Tide and Ariel are strongly associated with the detergent category and these brands strive to differentiate from other detergents in terms of providing the cleanest wash. Like Gillette, P&G focuses considerable resources on improving these brands to retain their leading position in the detergent category.

Many business-to-business brands are functional brands. Two classic examples are IBM and Caterpillar (for earth-moving equipment). Both built extraordinary brands by using customer service as the basis for creating superior performance. When IBM entered the market, competitors such as RCA were focused on making larger, faster computers and they offered products that out-performed IBM's computers. However, customer service was relatively neglected. As a result, customers experienced significant downtime. IBM addressed this issue by offering excellent customer service. This service enhanced the product performance by increasing computer uptime. The more abstract benefit, confidence that customers could count on the equipment that they purchased from IBM, was communicated through advertising, which showed a pillow with the IBM logo on it. The caption simply read, "What people want from a computer is a good night's sleep." Thus, the safe choice was born.

Caterpillar earth-moving equipment has built an incredibly loyal group of users through a similar strategy. While competitors like Komatsu offer greater performance or lower price, Caterpillar provides unequaled service in the form of providing parts. If a Cat breaks down anywhere in the world, Caterpillar will deliver the necessary parts within 48 hours. Performance is incredibly important to companies that own earth-moving equipment. However, the best performing and lowest priced machine is dead weight if parts are unavailable. Cost is important, but productivity is essential. Through excellent service, Caterpillar ensures its customers' productivity. Other equipment, however attractive it looks, thus carries with it greater risk. Like IBM, Caterpillar built its brand on the realization that superior performance can delivered in innovative ways by thinking beyond the product.

Superior Economy. An alternative approach to differentiating a functional brand is in terms of how economically the basic functions associated with the product category are performed. Superior economy may be provided by saving time and reducing hassle or by saving money. McDonald's is a functional brand that offers superior economy. When someone says "McDonald's," consumers think "fast food" and "good value." Few think "superior taste." McDonald's is known the world over as the source of a quick, predictable, inexpensive, hot, hassle-free meal. McDonald's competes by striving to satisfy consumers' appetites more consistently and faster than any other fast-food franchise. Dell Computer is also a functional brand that offers superior economy by making the purchase of a computer easy and inexpensive. Sustaining the position of a functional brand that offers superior economy implies the discipline of operational excellence. (See Chapter 1 on Segmentation and Targeting in this volume for a discussion of this and other disciplines.)

Functional brands connect with consumers by helping them achieve basic goals related to physical needs, such as the need for food, shelter, health, or safety. Because consumers vary in their focus on these needs and in their ability to pay for products, both functional brands that focus on superior performance and those that focus on superior economy may succeed in a product category. Some consumers may favor the brand of razor that provides the closest, most comfortable shave, whereas others may prefer the brand that performs adequately and is the least expensive.

Managing Functional Brands

As the foregoing discussion suggests, building functional brands requires focusing resources on either the product (for superior performance) or the place and price elements of the marketing mix (for superior economy). The role of advertising is one of reinforcing the connection between the brand

and the product category and communicating what makes the brand superior to competing products. Advertising itself is not the basis for differentiation, as may be the case for image brands.

To sustain a strong position in the marketplace, functional brands must win the race to provide the best functionality or the lowest cost or both. In many instances, improving performance is taken to mean doing what the brand does currently even better. Thus, Gillette razors have evolved from one to two to three blades, with each additional blade increasing the closeness of the shave without compromising comfort. In the case of semiconductors, quality has continually been raised by Motorola, which now produces products that meet the extraordinary six-sigma standard of excellence.

However, sustaining a point of difference is becoming increasingly difficult. Product life cycles are shortening because competitors can imitate any product performance or economic advantage that a firm creates relatively rapidly. In recent years, this imitation has taken the form of private label or "store" brands. Retailers, whose close contact with customers gives them insight into their desires, contract with manufacturers to produce versions of popular products that bear the retailer's rather than the manufacturer's name. In many categories, private label brands offer quality similar to that of national brands, but at a lower retail price. Some private label products, such as Loblaw's President's Choice Decadent Chocolate Chip Cookies, are actually regarded as being of higher quality than many manufacturer's brands. Overall, private label brands account for roughly 15 percent of U.S. supermarket sales and as much as 36 percent in supermarket sales in countries such as the United Kingdom. In some categories, private label brands in the United Kingdom, such as Marks & Spencer, account for 80 percent of sales!

An alternative strategy is to innovate by adding new functionality to a brand. For example, Gillette might modify MACH3 to not only provide a close, comfortable shave, but also to dispense a skin bracer. Such a strategy would be similar to P&G's approach of combining a shampoo and conditioner in its Pert Plus brand. In essence, a new brand is developed that bundles functionality previously associated with two or more separate product categories.

Expanding functionality may be an attractive strategy in light of several consumer trends. The delineation of roles that consumers play is blurring (e.g., parents take children along on business trips and conduct business via a cell phone while observing a daughter's soccer game) and many consumers report experiencing "time famine." Thus, products that help them cope with these changes are likely to be well-received. Many new technology-based products, such as Smart Phones and PalmVII, are based on the assumption that more functionality in a single product is just what consumers need. However, the challenge will remain one of sustaining any competitive advantage that is created. Already there are multiple brands of smart phones and PDAs. Moreover, there is a risk that some consumers may feel overwhelmed or intimidated by products that seem smarter than the user!

Yet another strategy for growing a functional brand is to extend it into a new product category. Conventional wisdom is that brand extensions should involve a new category that is closely related to the core brand so that the extension will be viewed as appropriate. For functional brands, this implies that extensions should be to product categories that have similar features or that relate to the same need or function at a more abstract level. Thus, MACH3 might appropriately offer a woman's shaver or a line of shaving creams and gels. Similarly, Tide might launch a line of stain-treatment products for the laundry. However, extensions that contradict core associations or that are based on more peripheral associations are likely to fail and, thus, are potentially damaging to the core brand. For example, abrasive scrubbing is a core association for SOS cleaning pads, making the brand extension into a window cleaner (SOS Glassworks) inappropriate.

Image Brands

Image brands create value principally by projecting an image. While they may be based on an extraordinary product, these brands are distinguished from competitors because buyers see them as offering a unique set of associations or image. Image brands are often created in categories where products are relatively undifferentiated or quality is difficult to evaluate (i.e., fine wines, medical, or consulting services), or where consumption of the product is highly visible to others (e.g., cars, shoes, clothing, alcoholic beverages). Under such circumstances, the images attached to the brand add value in terms of distinguishing it from other brands or by serving as a "badge" informing others of one's group membership or accomplishments. In either case, it is the set of images attached to the brand that define the brand's uniqueness and create symbols that are highly valued by buyers. Some brands that begin as functional brands may evolve into image brands if efforts are made to make functional features more abstract and link them to more emotion-laden consumer goals.

Image brands have become increasingly important as competition in many markets has eliminated meaningful differences in products. In autos and mobile phones, for instance, reliability, durability, prices, and even styling have become more similar. Faced with a lack of differentiation, consumers have driven prices down and, in response, organizations have turned to image and the broad array of the options this branding approach affords. Image brands may be created in many ways—by adding product features that evoke images, or make an emotional connection with buyers, by associating a brand with particular types of users, or by clever advertising campaigns. Moreover, image brands may be built for business-to-business products and services, as well as for consumer products and services.

Feature-Based. Some brands create their images by using distinctive product features to create imagery. One such classic example is the Mazda Miata sports car. For many buyers, the British brands MG and Triumph represent the prototypical sports car. The design of the cars, the sense of speed when driving one, and even the sound of the exhaust have had a powerful influence on buyers' view of the ideal sports car. The Mazda Miata is designed to capture the imagery associated with the MG and Triumph sports cars. For example, to re-create the sound of the British sports cars, Mazda tested over 100 different exhaust systems. All were designed to function well, but they varied in terms of the sound that they produced. The goal was to identify the system that would best reproduce the MG/Triumph sound. To re-create the driving feel, Miata speedometers are calibrated so that the sense of speed associated with the MG/Triumph sports car is mimicked. In all, Mazda made a wide variety of product design decisions to collectively evoke the image of the British sports car.

Another good example of feature-based image building is Viking kitchen ranges. As a result of intense competition, fine kitchen ranges are available at a wide range of prices. All of these ranges generate heat in a sufficiently consistent, reliable way to cook well. Viking is no different in this respect. What truly distinguishes Viking ranges is their restaurant style design. Viking ranges are stainless steel and have little, if any, painted surface. They offer an industrial look and are priced at a premium level, out of "range" of many consumers' pocketbooks. Viking has enjoyed huge success. Ironically though, those who purchase Viking and other premium ranges typically do little cooking. The appeal of a restaurant-style range is to make a personal statement to those who visit the home that the owner truly appreciates food—indeed, only the best in food and food preparation.

Waterman pens offer yet another example of image differentiation. Waterman pens certainly perform the writing function, but that alone would not be adequate to justify purchase of a pen in the new $400 Edson line. Choosing an Edson pen is a means of conveying status and refined taste. Indeed, the pen is depicted as being of heirloom quality, something that might be handed down from one generation to the next. Further, by offering a broad array of finishes, Waterman pens enable the users to express their personality in a subtle, sophisticated manner. "Which Waterman are you?" they ask in their advertising. A Waterman pen is more than a fine writing instrument; it is a statement about the user's taste and style.

User Imagery. Brands also create images by focusing on who uses the brand. Characteristics of the users represent the value of the brand in the minds of buyers. Three companies offer classic examples of branding through user imagery. Nike, founded in the mid-1970s as the Blue Ribbon Sports Company, made an art of the athlete's endorsement. Nike created its images of personal performance, winning, and uniqueness through the endorsements of athletes like Michael Jordan, John McEnroe, and Bo Jackson. The individuals represented the images Nike sought to associate with its brand.

Like Nike, Giorgio Armani has used individuals, in this instance well-known actors and musicians, to personify the Armani brand. An early break for Armani came when Richard Gere wore Armani clothing in the blockbuster "American Gigolo." The movie, one writer noted, was essentially a "two-hour fashion show modeled by Richard Gere's character, Julian Kaye." At the close of the movie as most of the credits rolled by, one credit stood, alone on the screen, frozen for a brief but valuable moment: Giorgio Armani. Since that success, Armani has aggressively pursued celebrities to build his brand. Warren Beatty, Robert DeNiro, Jeremy Irons, Eric Clapton, Tom Hanks, Mel Gibson, Matt Damon, Ricky Martin, and Leonardo DiCaprio have all worn and helped to define the Armani brand—its modern elegance and celebrity. Armani manufacturers little; most of the clothing is made by others. The brand, on the other hand, is perhaps the most successful and enduring Armani creation yet. Armani himself has proclaimed that "it is no longer fashion that matters, but rather the fashion name. The product is secondary."

Apple Computer offers yet a third example of how user imagery can affect brand image. Apple launched as a "different" computer with a novel operating system, challenging IBM, a symbol of corporate America. Although distinguished functionally by an operating system, Apple has become the brand of computer for the iconoclast, someone who worked smarter rather than harder and got ahead by creating the rules, not playing by them. This is reflected in their recent advertising tag line: "Think Different." It draws an interesting, if unintentional contrast to the classic IBM saying: Think.

Advertising. The classic way to create image brands is through advertising, which often manages to create vivid associations with little reliance on either product features or celebrity users. Brands of bottled water, automobiles, and cigarettes have historically been heavily advertised using images that appeal to the emotional needs of buyers. The elegance of San Pellegrino, the power of the Corvette, and the rugged individuality of the Marlboro Man are enduring images created through advertising.

Pepsi serves as a good illustration of an image brand built through advertising. As a follower in the market to Coca-Cola, Pepsi sought at first to steal share from the leader through a low-priced, me-too strategy. "Twice as much for a nickel," was one advertising slogan that focused on greater value for the same price. These efforts only served to reinforce the dominance of Coca-Cola. Pepsi subsequently adopted a strategy of asserting that it is the beverage for the younger consumer though advertising campaigns such as "The Choice of a New Generation" and, more recently, "Generation Next." By creating the image of being associated with younger users, Pepsi cast Coca-Cola as the beverage of older consumers, thus gaining an advantage.

Brands built solely on advertising can be remarkably successful. Creating them, however, requires heavy, sustained spending of advertising dollars. When new consumers enter the market, if current users do not reinforce the images of the advertising, more advertising dollars must be spent to educate these new buyers. That constant education process is expensive. However, the rewards can be a sustained uniqueness, a price premium, and a larger market share.

Business-to-Business Brands. While image brands are more commonplace in the consumer realm, they are not absent in the business-to-business world. Business-to-business brands that are based on image fall into two categories: those built exclusively for business customers (i.e., other firms) and those that are focused on end-users or consumers, who are the customers of the firms to which the company's products are sold.

Many business brands are built with an eye on customers. IBM and Caterpillar are two such functional brands discussed previously. Other visible and enduring business-to-business brands are found in the realm of professional services. McKinsey & Company, Boston Consulting Group, and Goldman Sachs are powerful brands, each having unique associations in customers' minds. For such brands, image is often a central concern. In investment banking, image may be created in many ways—through user imagery (their clients), the parent company location (Wall Street, the City of London), how employees dress, and even the firm's stationery. Together these cues tell customers that a firm is powerful, confident, a thought leader, or very stable. Advertising in the form of "tombstones" in the financial pages, listing the deals that the firm has successfully consummated with prestigious clients, reinforces these associations. The tactics used by management consulting firms to create their images are similar.

Other business-to-business brands are directed toward end-users or consumers rather than customers. One of the most successful business-to-consumer brands is Intel. Intel sells microprocessors to firms such as computer manufacturers. As already mentioned, computers are a risky purchase. Without brands to guide buyers' choices, consumers are confronted with an expensive purchase (over $1,000) and no way of knowing whether the computer will perform well. Intel addressed this issue by creating and aggressively marketing the Intel Inside brand. The promise is that if you buy a computer with Intel inside, you've made a safe choice; you'll have the power that you need to run the programs you want. While Intel's competitor, AMD, produces a very competitive microprocessor, many consumers are willing to pay a price premium for the safety and quality assurance that the Intel Inside logo provides. Interestingly, Intel's success may erode the value of computer brands: if a computer has Intel Inside, the brand of the computer becomes secondary. (One exception is Apple.) As a result of greater leverage with customers—created through giving consumers a safe choice—Intel has prospered by branding a product that, in one sense, consumers cannot and would not want to purchase alone.

Although Intel is one of the most visible and successful business-to-consumer brands, it is not alone by any means. DuPont, Nutrasweet, and Perdue all sell their products to other businesses, but they are marketed to consumers. Like Intel, these brands convey valuable information to buyers. The DuPont Stainmaster logo assures a carpet buyer that the product will resist stains and retain its new look. The Nutrasweet brand conveys valuable information about the caloric content and taste of many foods. And, the Perdue brand indicates that the chicken in the package will taste fresh and juicy.

Managing Image Brands. Image brands succeed when they make an emotional connection with consumers. They address consumers' desire to belong to a larger social group, to be held in esteem by others, or to define one's self according to a particular image. Advertising and other forms of communication (e.g., publicity, event sponsorship, promotions) play a prominent role in developing image brands because the value of these brands stems, in large measure, from a shared interpretation of what using the brand represents rather than the product features.

An examination of consumer trends may reveal opportunities for creating new image brands. As noted earlier, many contemporary consumers experience time famine. Often this means that there is limited opportunity to express certain aspects of their personality or self-identity. Image brands may allow signaling that that part of the self remains alive. For example, driving a Sports Utility Vehicle (SUV) may allow soccer moms and dads to express their desire for an adventurous lifestyle even though they never leave the streets of suburbia.

Building image brands takes time and considerable resources. The images that define these brands must be created in the minds of consumers. In the case of a global brand like Coca-Cola, this means creating images that are meaningful and valuable to consumers around the world; a challenging and endless task. New consumers are born every day who have never heard of Coca-Cola. For the brand to have continued success, those new consumers must somehow be introduced to and accept the images that Coca-Cola offers.

If a firm is successful in building and maintaining these images, its image brands can enjoy considerable competitive advantages. The most obvious benefit is that duplicating the images associated with one brand is difficult, expensive, and of questionable competitive value. Why would a competitor seek to copy the Ralph Lauren image when an infinite array of alternative images that might provide a meaningful basis for competitive distinction can be created? Image brands, thus, offer a considerable degree of insulation from competitors. Moreover, once established, image brands can create some insulation from price competition. When buyers value a brand's image, price becomes less of a consideration in the purchase decision.

A key threat to an established image brand is that its future success is tied to the continued attractiveness of the associations that have been built. Michael Jordan has retired from basketball. While he is still familiar and held in high esteem, his market power as an outstanding athlete fades as his seasons off the basketball court increase. Conspicuous consumption in the form of $400 pens, BMWs, or fur coats is viewed less favorably when economic conditions are tight than when the economy is booming. Further, images related to badge products often have limited appeal across generations. Ralph Lauren's taste of the English country life may come to be seen as outdated and be rejected by youth in favor of an alternative, contemporary perspective. As a case in point, Toyota is suffering a bit as a result of its success with the baby-boomer generation in North America. It has come to be seen as Mom's and Dad's car. As a result, younger car buyers are seeking a more modern alternative; some are turning to Honda, others to Volkswagen. Toyota's challenge is to retain its positioning as dependable but as relevant to the lives of younger buyers. If Toyota fails to achieve this balance, it may suffer the same fate as Buick.

One strategy for growth that can be effective for image brands is to launch brand extensions. A strong image brand may be extended to any product that might be linked to the general image that the brand portrays. Ralph Lauren, for example, has successfully extended his brand from clothing to furniture, linens, and most recently, a restaurant. All of these products depict a common lifestyle and, thus, reinforce the Ralph Lauren image. Of course, extending image brands can be carried too far. Neither Donna Karan bottled water nor Bill Blass chocolates were able to generate significant sales. And, brand extensions that contradict core associations, such as Crystal Pepsi, seem doomed to failure.

The Internet provides an opportunity for image brands to allow consumers a greater level of affiliation with the brand and with like-minded others. This opportunity for two-way interaction may deepen consumers' passion for the brand and move it in the direction of the type of brands that we discuss next, experiential brands. For example, Martha Stewart wannabes can log on to MarthaStewart.com where they can ask questions, share ideas, buy products, and generally learn more about how to emulate their idol.

Experiential Brands

Experiential brands differ from image brands in terms of their emphasis. Whereas image brands focus on what the product represents, experiential brands focus on how consumers feel when interacting with the brand. The brand experience is co-created by the brand and the consumer at the time of consumption and, consequently, it is unique and highly personal. Indeed, such a brand may be experienced differently by the same individual at different times.

An experiential brand may include a tangible product, but this is not required. Moreover, if a product is part of an experiential brand, ownership of it may never be transferred to the consumer. Instead, products, environments, and services are combined to create temporary multisensory encounters with the brand. These encounters may be recurring or may involve extended contact with the customer. Consequently, the "place" and "people" components of service delivery are particularly important in creating strong experiential brands.

Disney is a classic example of an experiential brand. Visitors to Disney World buy the experience of seeing delight on the faces of their children and, perhaps, a chance to regress to the carefree fantasies of their own childhood. Souvenirs may be purchased but they are valued primarily for their ability to evoke memories of the larger experience and not in and of themselves.

On a more everyday level, Starbucks has built a powerful experiential brand. Starbucks stores are much more than a place to purchase a jolt of java. They offer a brief reprieve in a hectic day; a chance to inhale the rich aroma of fresh coffee and listen to relaxing music, while tasting a rich, specially prepared brew in the company of like-minded coffee addicts. One hallmark of the Starbucks' experience, and any great experience really, is consistency. Delivering a consistently good experience is a challenge in the retail coffee business. Making a consistently high-quality café latté, for instance, requires, first, brewing two ounces of coffee. Starbucks' guidelines require this to be drawn in 18 to 23 seconds at 90 degrees Celsius and 9 bars of pressure to produce excellent espresso.

Second, the milk must be steamed to 160 degrees Fahrenheit. Most Italian espresso machines contain a single boiler that both heats the water for coffee and makes steam to foam the milk. As a result, drawing the steam for milk affects the heat of the remaining water, which can produce an inconsistent espresso. If the water is too hot, the espresso will taste burnt; water that is too cold will not extract all the flavor from the ground coffee. This does not pose a significant problem in Italy because Italians and other Europeans prefer espresso to café latté and other coffee-based beverages, so little milk is drawn. By contrast, Americans favor milk in their coffee. In fact, Americans drink 500 times more milk than Europeans in their coffee.

Starbucks' solution is to use La Marzocco espresso machines. These machines cost twice as much as more conventional espresso makers because they contain two boilers (one for steam and another for water). Having two boilers, however, ensures that steaming milk does not affect the temperature of the water used to brew coffee. Thus, every Starbucks' café latté can have the perfect ingredients: 2 ounces of coffee brewed at 90 degrees Celsius, under 9 bars of pressure, for 18 to 23 seconds, combined with 10 ounces of milk steamed to 160 degrees Fahrenheit. Such standards produce a remarkably consistent product yet uniquely personal experience.

Dimensions of Experiential Brands. While it is always important that a brand offer consistency, the range of experiences around which a brand may be built is enormous. Experiences can be viewed as varying on three dimensions: *valance* (positive, negative), *potency* (mild, intense), and *activity* (passive, active).[4] The valence associated with many experiential brands is positive. Brands such as Disney, the Chicago Symphony, and Elizabeth Arden compete by offering pleasurable experiences. However, some brands focus on experiences that are less pleasant. For example, bungee jumping or roller coaster rides may strive to outdo competitors by offering the most frightening, death-defying experience.

Experiential brands also differ in terms of the potency of the experience. While a stop at the local Starbucks' cafe may evoke mild, positive feelings, a massage and facial at Elizabeth Arden may lead to more intensely pleasurable feelings. Likewise, a horror film may create a mild fright whereas a ride on the world's largest roller coaster may create a heart-stopping experience. The potency of an experiential brand may be affected by both the intensity with which a single sense is engaged and by the number of senses that are stimulated.

Finally, experiential brands vary in terms of whether the consumer is a passive observer or an active participant. Brands associated with traditional venues of entertainment, such as movies, concerts, and theater, historically have offered a relatively passive experience. The consumer reacts to the material being presented rather that interacting with it. However, driven in part by advances in technology, these forms of entertainment are now increasing consumers' involvement. An audience may provide input that changes the outcome of a play or may participate in a commercially staged event. In 2000, the "Bud Bowl" (a battle between Bud and Bud Lite), migrated from being relatively passive "advertainment" during the Super Bowl to being an engaging, interactive Internet experience. This shift both reduced costs (the cost of building the interactive Web site was in the tens of thousands of dollars versus $1.2 million dollars just to air 30 commercial during the Super Bowl), and increased sales because participants in the event ordered brand-related merchandise while they were online.

Other experiences go beyond heightening consumers' mental involvement and engage their bodies. Snow boarding and extreme sports require such active participation that uncoordinated or mature consumers are at high risk of bodily harm should they choose to participate.

Experiential brands connect with consumers' desire to move beyond a self-presentation and focus on self-enriching experiences and causes. Interacting with the brand is an end in itself, rather than being a means to some other goal. Situational and individual differences are likely to moderate the consumers' affinity for different types of experiential brands. Most consumers may seek positive experiences most of the time. However, segments of consumers who need to test and to define themselves (e.g., young adults), or who are deprived of control in other aspects of their lives (e.g., economically disadvantaged), may embrace negative and extreme experiences because surviving such experiences creates feelings of mastery and control. Similarly, the constraints of work and family obligations may prevent consuming intense and active brands on a daily basis. Instead of an afternoon of snow boarding or a trip to Disney World, consumers must settle for more mild (and often more affordable) experiences, such as a manicure or a trip to Starbucks, to indulge themselves on an everyday basis.

Our examples of experiential brands have all been business-to-consumer products or services. Business-to-business firms certainly incorporate experiences into their marketing tactics. For example, Silicon Graphics has a Visionarium Reality Center at its corporate headquarters in Mountain View California. Here, customers can create and interact with three-dimensional product visualizations. As another example, Andersen Consulting has a center in Windsor, England, that allows clients to see Andersen's view of the retail shopping experience of the future. This "store of the future" places potential Andersen clients, many of whom sell their products through grocery stores, in the role of observers of shoppers in this new world, highlighting the challenges these companies will face and Andersen's suggestions for coping with those challenges.

Similarly, the strategy of bringing potential clients to the company's plant to experience, firsthand, aspects of the manufacturing process is a common and effective selling tool. However, while experiences are useful tactics for business-to-business firms, such tactics should be distinguished from building experiential brands. Aside from, perhaps, executive training and education programs (i.e., Outward Bound programs), it is difficult to think of many experiential brands in the business-to-business realm.

Transforming a Functional or Image Brand into an Experience. As brand differentiation on the basis of product features becomes more difficult to sustain in the face of rapid competitive imitation, companies may avoid commodity status by conceiving of their brands as representing a larger experience. Consider the category of electricity providers. One company's kilowatt is indistinguishable from another's. As a result, differentiation (and, thus, the ability to charge a price premium) might seem impossible in this industry. However, an upstart energy company, Green Mountain Energy Resources, has proven that an experiential energy brand can be created and that consumers will pay a price premium to purchase it. Capitalizing on deregulation and the fact that electric energy production is the single greatest source of pollution, the Green Mountain brand offered consumers an ecologically superior alternative—electricity generated by capturing the energy created by the wind, water, and sun. While the electricity that is delivered to a Green Mountain customer's home is no different from that received by a customer of a traditional electricity provider, by choosing Green Mountain energy, customers ensure that a greater portion of overall energy production is done in an environmentally friendly manner.

Switching to a new energy company is just one aspect of the Green Mountain experience. The company has sponsored free "Know Your Power" music festivals with popular entertainers such as Shawn Colvin, Kenny Logins, and James Taylor, who are known to be concerned about the environment. In attending these concerts, consumers have an opportunity to learn more about how they can help to protect the environment while they enjoy the company of like-minded individuals. Further, to ensure that brand is meaningful and relevant to consumers in their everyday lives, Green Mountain offers "eco credits" when consumers use less, rather than more energy. Eco credits can also be earned by engaging in other environmentally friendly activities, such as riding a bicycle to work or planting a vegetable garden. When a community earns sufficient eco credits, Green Mountain will build or refurbish a neighborhood playground using recycled materials. In states where Green Mountain is available (initially California and Pennsylvania), the brand has enjoyed considerable success, proving that viewing a product as a commodity is more a matter of a lack of imagination than a matter of fact.

Marketers of many image brands also are trying to increase the degree to which their brands represent experiences. Niketown expands associations to the Nike brand beyond those that are based on status or the image of athletic excellence. Visiting Niketown is an experience. While Niketown does not charge admission, tacitly acknowledging its function as a retail outlet rather than just a destination, it might be possible for it to do so, particularly if the store were to stage events that enabled visitors to interact with star athletes.[5] Similarly, Pleasant Company (now owned by Mattel) does not charge admission to its American Girl Store. However, if it did, there are undoubtedly many girls and parents who would be willing to pay for the experience of viewing all the artfully displayed dolls with their period furniture and accessories (all for sale, of course).

Managing Experiential Brands. Experiential brands face two key challenges. The first is the ability to create the brand experience consistently, as noted earlier in discussing Starbucks. Experience brands are typically labor-intensive. Without careful recruiting, clear standards, training, and the right incentive system, employees will lack the ability and motivation to create the brand experience reliably. As a result, companies with successful experiential brands spend a disproportionate amount of their time hiring and training their personnel. Virgin Atlantic Airways is a good example. Virgin provides air transportation, but the brand is based on creating memorable experiences that extend well beyond the flight. For the upper class passenger, the Virgin experience starts with a ride to the airport via motorcycle or chauffeur-driven limousine. It continues in the Clubhouse lounge, where the guest may visit the hair salon, library, or game room while enjoying complementary beverages and snacks. The in-flight experience may include surprises, such as discovering that a masseuse is available or that ice cream sundaes accompany the movie. And, upon arrival, the Virgin passenger may visit Arrival Clubhouse and freshen up with a sauna and shower, or work off jet lag in the swimming pool and gym. At every stage, Virgin employees play a critical role in ensuring not only that the operation runs smoothly, but that even the most mundane activities are instilled with a bit of fun and theater. Accordingly, rather than hiring those who aspire to a career in the airline industry, Virgin recruits outgoing individuals, such as aspiring actors.

The second challenge to experiential brands is the potential for satiation to occur. Can the third trip to Disney World possibly match the first one? One strategy for addressing this issue is to continuously expand and enhance the experience. The danger with this strategy is that expectations may rise along with the experience, making them ever harder to meet. If Nordstrom's continues to upgrade the level of service, can it meet the expectations that it creates reliably and profitably?

An alternative strategy is for a firm to create multiple, maximally different experiential brands within a category. Lettuce Entertain You Enterprises Inc., which owns more than 30 restaurants in the Chicago area, has enjoyed considerable success with this strategy. Want to be transported to Italy, try Lettuce's Scoozi. Have an urge for Chinese, try Lettuce's Ben Pao. Longing for Paris, visit Lettuce's Mon Ami Gabi. Wishing for a romantic evening in a classic restaurant, make a reservation for dinner at a table near the dance floor at Lettuce's Pump Room. In each instance, the experience will be authentic, unique, and memorable because the décor, menu, and wait staff will embody the particular theme.

Experiential brands are easily extended into tangible reminders of the consumption experience (as in the case of Disney), and may also succeed in other brand extension efforts that are unified by a common target audience and understanding of that audience (Disney with movies, theme parks, and video games). However, experiential brands cannot stray outside the bounds of the type of experience they have created. Disney suffers when adult themes or too suggestive clothing appear in its movies and, therefore, it uses a different brand, Touchstone Pictures, for motion pictures targeted at adult audiences.

Experiential brands may benefit from judicious use of the Internet to extend and enrich the consumption experience. Certainly the Internet has been an important venue for enriching the Star Trek experience among the show's fans. Trekkers, as avid fans of the television show are called, gather online in a variety of chat rooms to discuss the television show episodes and movies, engage in interactive role play, and buy and sell memorabilia. For these devoted fans, Star Trek represents a philosophy or religion and the Internet is a valuable means of integrating the show into their everyday lives.[6]

SUMMARY OF TYPES OF BRANDS

We have discussed three types of brands that vary the terms of their basis for differentiation and, thus, the emphasis placed on elements of the marketing mix. As a result, these brands connect with different consumer needs and evoke different levels of consumer involvement. Moreover, sustaining these brands presents unique challenges to management. The brand matrix in Table 4.2 summarizes these distinctions.

For the purposes of exposition, the types of brands have been presented in terms of three discrete categories. However, it is also useful to think of these types of brands as lying on a continuum ranging from a focus on the product to a focus on the consumer. At one extreme are functional brands, which are created at the factory and may be purchased by consumers for consumption at whatever time they might desire. At the other extreme are experiential brands, which are created at the time of consumption with the active participation of those who consume them. Image brands fall in the middle. They are created in the factory but their value stems, in large measure, from their display by consumers.

Further, while we have classified specific brands into one of the three categories, it is also important to recognize that brands may evolve in ways that shift their categorization. Consider, for example, Volvo. Volvo began as a functional brand that focused on features such as reinforced steel beams in the car's roof and side panels, which offered drivers a higher level of crash protection or safety than cars without such features. However, over

Table 4.2
The Brand Matrix

Brand Type	*Basis for Differentiation*	*Marketing Mix Emphasis*	*Consumer Needs and Involvement*	*Management Challenges*
Functional (e.g., Tide, Mach III, McDonald's, Dell Computer)	Superior performance or superior economy	Product, price, and/or place	Physiological and safety needs, relatively low involvement	Sustaining the basis of superiority
Image (e.g., Miata, Waterman, Nike, Apple, Coke, Pepsi)	Desirable image	Communications	Social and esteem needs, moderate to high involvement	Balancing the brand heritage with the need for relevance in a dynamic environment
Experiential (e.g., Disney, Saturn, Elizabeth Arden, Virgin Atlantic Airways)	A unique, engaging experience	Service delivery (place and people)	Self-actualization needs, moderate to high involvement	Consistency in delivery, risk of consumer satiation

time, by design or by default, Volvo evolved into an image brand. It became the car for caring parents. This association was reinforced when the company aired an advertisement in which, as a means of informing her husband that she was pregnant, a young woman announces that she purchased a Volvo. The image of Volvo as the car for caring, well-educated, affluent parents served the company well for many years. But eventually this image proved to be limiting; Volvo was tied to a generation (baby boomers) and a lifestyle (conservative) that excluded or did not appeal to many car buyers. In an effort to reconnect with a broader target of consumers, particularly Generation X buyers, Volvo has recently launched a campaign with an experiential theme. Volvo claims to provide cars that would "save your soul." Of course, this claim would not be credible without significant modification of the car's physical features. The lines of the classic Volvo "box" have been softened and there is even a Volvo convertible (hardly a design that reinforces the association to safety). Thus, not only has the meaning of the Volvo brand moved from being functional to being more experiential, but the physical features of the car have evolved as well.

A final point worth noting is that while the general population may view a brand as belonging to one of our three categories, this view need not be universally held. Whatever the brand and the product category, heavy users of it are likely to be more emotionally involved and, thereby view the brand as having more image or experiential characteristics than do light users of the brand.

BRANDING STRATEGY

When building a brand, the marketer must also determine the optimal branding strategy. Here we focus on the three strategies that are commonly employed: (1) corporate branding (using one corporate brand for all products), (2) family branding (using multiple brands in a product category and linking them to a common family name), and (3) product branding (using unrelated brand names for several products in the same product category). Each of these three branding strategies can be considered in light of the three types of brands discussed in the previous section. Some examples are shown in Table 4.3.

Corporate branding focuses attention on the company. This strategy may be particularly attractive for experiential brands because the brand represents a relationship with the company rather than with the product. The Saturn example discussed earlier illustrates this point.

Image brands, such as Ralph Lauren and Andersen Consulting also may find the corporate branding approach appealing. Having multiple products with a common name may help to define and enrich the brand image. Certainly, the availability of both English-styled furnishings and clothing reinforces the notion that the Ralph Lauren brand is about a way of life, rather than about the functional properties of the products. Launching a line

Table 4.3
The Relationship between Type of Brand and Branding Strategies

Type of Brand	*Corporate*	*Family*	*Product*
Functional	BIC, GE	Gillette (Mach3, Sensor, Atra)	Tide, Cheer, Era (P&G)
Image	Ralph Lauren, Andersen Consulting	GM (Chevy, Olds, Buick, Cadillac), BMW (3, 5, 8 series, Z-3, X5)	Coke, Sprite (Coca-Cola)
Experiential	Saturn, Starbucks, Green Mountain	Lettuce Entertain You (Scoozi, Ben Pao, Mon Ami Gabi, The Pump Room)	Ritz Carlton, Fairfield Inn (Marriott Corp.)

of very inexpensive or funky clothing would best be done under another label to avoid confusing consumers about the brand meaning and, thereby, dilute its equity.

Even functional brands, such as BIC and GE, may successfully adopt a corporate branding approach. Often companies are attracted to a corporate branding approach for the efficiency that it provides; advertising expenditures can be concentrated on building a single brand name. However, this efficiency carries a price. All products under the corporate brand must be compatible with the associations that the brand evokes, a lesson that BIC learned when it launched a line of perfumes bearing the BIC name.

An alternative approach is to adopt a family branding strategy. Under this approach, a corporate or umbrella brand name may be combined with more specific product-based names. Traditionally, auto manufacturers have used this branding strategy. For example, GM markets Chevy, Olds, Buick, and Cadillac, each targeted to a different segment of consumers and each having unique associations, but all sharing an affiliation with GM. The corporate affiliation may impose a constraint on the range of meanings that can be created at the product level, which is why Saturn was launched as a separate company, rather than an additional GM product line.

Gillette also takes a family branding approach, but does so for a line of functional products. Lettuce Entertain You Enterprises Inc. adopts a family branding strategy for its set of experiential brands. In general, the family branding approach works best when relatively distinct segments of users, or use occasions, exist and thus the common affiliation is not likely to increase cannibalization markedly. Instead, the familial affiliation provides an assurance of a certain level of quality.

The final approach to branding is to market multiple product brands without any common affiliation to the parent company. P&G uses this approach in marketing its line of laundry detergents. Few consumers think of Tide, Cheer, and Era as related brands though they are all produced by the same company. Coke uses a similar strategy in marketing Sprite and Coke, as does Miller Brewing in marketing Red Dog versus the Miller brands. Finally, experiential brands may also be marketed using a product approach. Few consumers are aware that the Ritz Carlton and Fairfield Inn, brands that are at opposite poles of the hotel price spectrum, are both owned by Marriott Corporation.

A product branding strategy can enable a firm to attract distinct segments of consumers who may not wish to be affiliated with each other. For example, some beer drinkers may prefer the image associated with small microbreweries and disdain mass market brands, such as Miller and Bud.

In launching the Red Dog brand, Miller sought to attract beer drinkers seeking a microbrew image, while continuing to serve the mass market with its mainstay Miller-branded products. Product branding can be highly successful. However, it requires deep pockets to build multiple, unrelated brands. It is no accident that P&G, which pursues a product branding approach, was second in the world (GM was first) in terms of advertising spending in 1999. Of course, no matter how much a company spends, it cannot prevent consumers from learning about the parentage of brands, as Miller discovered when the press publicized the fact that Red Dog was a Miller brand. Such disclosures are more likely to be damaging when the brand is based on image rather than function.

Corporate mergers, such as recent ones in the auto industry (Daimler-Chrysler, Ford-Volvo-Jaguar) raise questions about the tradeoffs between the different branding strategies. Efficiencies may emerge from a more integrated, corporate approach, but the ability to appeal to specific segments may be reduced.

In business-to-business settings, it may be difficult to pursue a product branding strategy because direct contact between the seller and buyer makes the corporation a salient aspect of the product irrespective of how it is branded. In such situations, if a firm wishes to market products that are incongruent with the corporate brand, it may be necessary to create a separate legal entity. In the telecommunications industry, for example, AT&T spun off Lucent, its former equipment division, to avoid a conflict of interest with customers. Unencumbered by the AT&T relationship, Lucent has flourished, outgrowing its parent. As of April 2000, the market capitalization of Lucent is $217 billion while AT&T's market capitalization is $173 billion. Similarly, IBM spun off Lexmark as an independent maker of computer printers and other equipment.

Short of spinning off a division, an organization may undertake a joint venture. Power PC was the result of collaboration between IBM, Motorola, and Apple. Because joint ventures are motivated by the desire to explore strategic options that are unavailable to any one company, it is appropriate to create a unique identity—a brand, essentially. However, as Power PC demonstrated, ensuring the success of a joint venture requires much more than a new brand name.

CONCLUSIONS

Brands are a ubiquitous part of modern markets. They exist because they provide value to consumers. Brands assure a level of quality, simplify choice, and help consumers achieve a wide range of goals, ranging from meeting basic, functional needs to self-actualization. Brands also benefit the companies that create them. They support higher margins than strict product differences might permit and, thereby, protect firms against competitors who imitate their products. Brands also may allow the firm to gain leverage over its customers, as in the case of Intel. In sum, brands serve as a bridge between a company and its customers—they are symbols of the value that the company creates.

Brands must be built, and this is a time consuming and costly process. When first launched, many brands are names with no inherent meaning—Sony, Mercedes-Benz, or Ben & Jerry's meant little at first. Over time, these names and the brands that they symbolize come to represent a rich set of associations in consumers' minds. At their core, powerful brands reside not with the company, but rather with consumers. The thoughts, memories, and feelings that people have about a brand are, at an individual level, the essence of brand equity. How that equity is created and maintained, our focus in this chapter, is overlooked by organizations that believe that value arises only from products, or that value is created in the factory. The companies that we have discussed illustrate that success requires creating value in the factory *and* in the minds of buyers. This process of creating and maintaining brand equity can simultaneously enrich consumers' lives and the company's bottom line.

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Notes

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