

11 Branding and promotion

Definition

Branding is the skill of giving a product or service distinctiveness – even personality. Promotion is the part of the marketing mix that focuses on persuading people to buy the product or service.

Linked to: Market research, Ch 3; Product and service design, Ch 10; Marketing strategy, Ch 15.

11.1 Introduction to branding

Branding is the process of creating a distinctive and lasting identity in the minds of consumers. Establishing a brand can take considerable time and marketing effort, but once a brand is established it becomes its own means of promotion. The brand name is recognised and this makes it more likely that the customer will buy the product for the first time. If the experience is satisfactory, the customer is very likely to continue to choose the brand. Once established, branding has many advantages, such as the following:

- It enables the business to reduce the amount spent on promotion.
- Customers are more likely to purchase the product again (repeat purchase).
- It is easier to persuade retailers to put the products in their stores.
- Other products can be promoted using the same brand name.

‘The best advertising is done by satisfied customers.’

Philip Kotler, marketing guru

Real business

In June 2014, in the streets of Uruguay, only one brand mattered: Adidas, as worn by Luis Suarez. His two goals against England when half-fit, plus what was taken as European Suarez persecution when he was banned from the World Cup, made him a super-hero. Adidas boots went from being desirable to being essential. Elsewhere in 2014, Nike won the sales battle with Adidas. Not in Uruguay.

11.2 Types of branding

Individual brand

Some brands are so powerful and distinctive that they stand on their own, such as Marmite. Do you know who makes Marmite? Probably not. Unilever is keen to have its **corporate brand** on many other products, but with Marmite you have to read the small print at the back of the label. The manufacturer has no interest in you associating Marmite with other Unilever brands such as Persil or Wall’s (Marmite ice cream, anyone?). A huge benefit of keeping brands individual is that a publicity disaster for one has no effect on the others. At the time of writing, Tesco is getting a daily hammering by news media, which must have a dampening effect on the image and sales throughput at Tesco Extra (hypermarkets), Tesco Online, Tesco Metro and so on.

Brand family

Cadbury is now one division of the huge, American-owned Mondelez International. Cadbury itself is perhaps the ultimate British brand family. Whether you buy a Twirl, a Wispa or a bar of Dairy Milk, the Cadbury logo is prominent. It adds value, it adds acceptability (‘I’ll try that, it’s from Cadbury’) and it adds a comforting familiarity – we know we’ll like the chocolate taste and texture because we’ve known it since childhood. A good brand has emotional qualities (even if they’re largely subconscious). Even if you know that Cadbury is now owned by an American multinational, it makes no difference to the warmth of the association with the brand.

Corporate brand

In the global food business, there are three mighty corporations: Nestlé, Unilever and Mondelez. Of those, only Nestlé feels the need to put its logo on everything. So it’s Nestlé KitKat, Nestlé Cheerios and Nestlé Munch

Bunch yoghurt. Nestlé wants to reinforce its corporate brand – clearly believing that it adds credibility to the individual brand names. From a UK perspective, this may not really be true; but if you went into a shop in Thailand and saw a Nestlé branded ice cream, it might provide the reassurance you need.

Branding became important in Britain in the nineteenth century as a way to reassure customers of quality and reliability in a world where shopkeepers regularly added (cheaper) powdered chalk to flour and sawdust to tobacco. Today we have consumer protection laws, but occasional scares such as the 2012 horsemeat scandal remind us of why it is nice to have a brand to trust.

‘The art of marketing is the art of brand building. If you are not a brand you are a commodity.’

Philip Kotler, marketing guru

Among the benefits of strong branding are:

- Added value: a strong brand gives reassurance and may provide aspirational benefits; some men grow up aspiring to own a BMW or a Ferrari. The brand sums up all the benefits consumers see in the product (or service) and therefore adds value to the purchase.
- Charging premium prices: a recent report showed that the UK market leader in instant coffee (Nescafé) can charge customers £19.52 per kilo, while supermarket own-label coffees average £12.25. That premium of £7.27 per kilo means Nescafé is priced nearly 60 per cent higher than own-label coffees. This added value gives huge scope for making Nescafé a very profitable brand.
- Reduced price elasticity: strong branding can be placed somewhere on the spectrum from brand loyalty to brand obsession. People willing to queue 24 hours for a new phone must come into the obsession category. But there are others: football club supporters, players of Grand Theft Auto and those who have to be dressed in a particular fashion brand. Brand loyalty lowers price elasticity, enabling the producer to push prices up with little damage to sales volumes. Brand obsession makes this passport to profit even easier.
- Combatting the discounters: at a time when Lidl, Aldi and Poundland are among our most successful retailers, weak brands are being squeezed out. In 2013, a remarkable thing happened: a £100 million brand, number two in its market (disposable nappies), withdrew from the UK market (see Figure 11.1). Huggies gave up in its battle against Pampers. The

owner of Huggies (Kimberley Clark) said it couldn’t make a profit when up against the strength of Procter & Gamble’s Pampers. A strong brand gives you the power to hold firm against discount retailers. Weaker brands have to cut their prices to £1 (for Poundland) or accept marginally profitable orders from other retailers. Weak brands always struggle to survive.

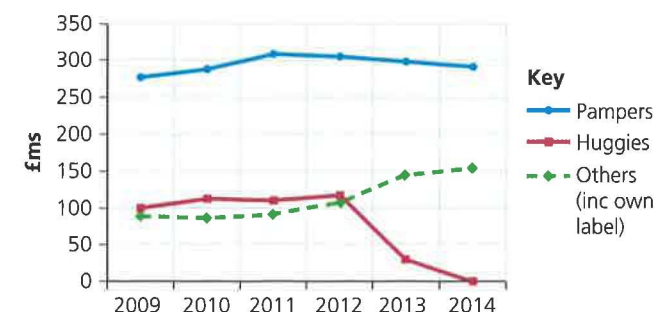


Figure 11.1 UK market for disposable nappies (source: *The Grocer*, 2009–2014)

‘Authentic brands don’t emerge from marketing cubicles or advertising agencies. They emanate from everything the company does...’

Howard Schultz, founder of Starbucks

11.3 Ways to build a brand

Building a brand has a timescale that matches the phases of a product life cycle. Heinz has built a brand in the UK based on more than a hundred years of beans, soup and ketchup. By contrast, Snapchat built a brand in months rather than decades. Possibly that makes Snapchat’s brand quite brittle, whereas Heinz could cope with the odd flash of bad publicity.

Ways to build a brand include the following:

- Unique selling points (USPs) are an extreme version of product differentiation. Coca-Cola’s USP is that it was the original cola drink; no-one can match that. In many cases, though, a USP is a temporary benefit because it can be copied. Most of the iPhone’s original features have been copied by rivals; often its main differentiator is simply the brand name.
- Advertising: in 2014, Nestlé backed its superstar £425 million brand Nescafé with £10 million of advertising (mainly on TV). The previous year it did much the same. When a brand is as profitable as Nescafé, it would be foolish to do anything else. Partly the advertising is

to keep reinforcing messages about the superiority of the product, and partly it is to encourage new, younger buyers to tap into the mainstream consumer decision. In the UK, coffee means Nescafé.

- Sponsorship: this is an attempt at long-term brand-building that, when done cleverly, can help give a brand a 'personality'. Over the years, Richard Branson's Virgin has been clever at this. More recently, Red Bull has taken some beating. It supports its £250 million UK brand with its backing for extreme sports and Formula 1 motor racing. The cool image established by this helps it fight Coca-Cola's energy drink brands: Monster and Relentless.
- Use of digital media: not everyone can afford to sponsor an F1 team (its sponsorship costs Red Bull £80–£100 million a year). So social media offer interesting alternatives. Adwords (bought from Google) allows an advertiser to spend a fixed maximum. Soft drink producer AG Barr could promote its Rockstar energy drink by 'buying' Red Bull. It might pay Google 50p for listing Rockstar above Red Bull, whenever anyone 'Googles' Red Bull. If it set a maximum spend of £40,000, then after 80,000 Red Bull Googles its money would run out. In the meantime, AG Barr would hope to have attracted lots of energy drink fans to consider the Rockstar brand.

'Your premium brand had better be delivering something special, or it's not going to get the business.'

Warren Buffett, multi-billionaire investor

11.4 Changes in branding and promotion to reflect social trends

Viral marketing

For more than 30 years, marketing companies have been fascinated by the thought that brand messages can spread like a virus, from mouth to mouth. Many premium products were launched into highly selected retail outlets and promoted only in selected magazines, in the hope that word would spread. This is how Häagen-Dazs ice cream began and how Jimmy Choo developed (more than 20 years ago). Today's social media add a huge extra dimension to viral marketing – speed. One tweet from Ronaldo (32 million followers) about a great restaurant could book the place out for months to come. Inevitably, then, companies try to find ways

to manipulate supposedly 'social' media for their own commercial benefit.

'Focus on how to be social, not how to do social.'

Jay Baer, US marketing consultant and author

Social media

This has become a serious alternative to standard press or TV advertising. There are three important benefits to firms from this form of digital marketing:

- The targeting can be especially tightly targeted at the precise tastes and habits of each individual, including noting changes in their behaviour, such as when they move from home to university.
- Traditional advertising was a one-way process from company to customer; social media provide the interactivity that may help create some bonding between consumer and brand.
- The success of **crowdfunding** sites such as Kickstarter show that people are interested in getting involved in businesses, as long as they share the apparent aspirations of the proprietors. This, again, helps create a two-way bond.

Real business

At Christmas 2014, there was an advertising battle for hearts and minds between John Lewis, Sainsbury's and Marks & Spencer. John Lewis featured a tearjerker based on penguins, Marks & Spencer went for fairies and 'magic sparkle', and Sainsbury's focused on the famous Christmas football match on the First World War frontline. All three spent millions on making the TV advertisements and buying the airtime.

But what about the social media impact of the three campaigns? *Retail Week* magazine reported (12 December 2014) that the campaigns could be measured on 'Buzz' (blogs, forums and tweets), on Reach (how many accessed the commercials through social media) and Hashtag use. The social media results are shown in Table 11.1.

	John Lewis	Sainsbury's	Marks & Spencer
Buzz	14,702	24,401	534
Reach	47.4 million	83.7 million	3.7 million
Hashtag use	6,675	8,042	188

Table 11.1 Social media results of three Christmas advertising campaigns

Understandably, *Retail Week* declared Sainsbury's the winner.

For companies, the ultimate question is whether spending on social media provides a sufficient return on the money spent. Although this question cannot be answered satisfactorily by most companies, they feel that they are better off being in than out. The company that ignores the digital, online world may become the Morrisons of its own sector.

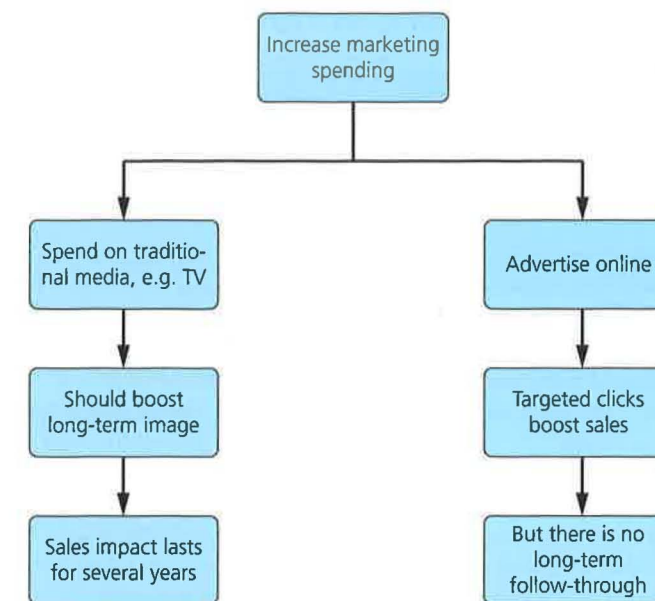


Figure 11.2 Logic chain: traditional v. online advertising

Real business

In 2014, with coffee sales stalling in America, Starbucks decided to broaden its appeal from its target of young professional adults. Parents started to notice their teenage and pre-teen kids showing new-found enthusiasm for Starbucks' 13,000 US outlets. The company had started selling a 'secret menu' of drinks that had gone viral via posts on Instagram and other social media. Only those in the know would think to ask for a 'Grasshopper Frap' or a 'Cotton Candy Frap'. One parent reported that, when her tweenaged daughter asked for a Cotton Candy Frap, the shocking pink drink was served with a knowing wink. The thrill of posting a pic to her mates seemed to make up for the vile taste. Apparently, McDonald's and others are playing with the secret menu concept after Starbucks' success.

Emotional branding

Like viral marketing, this is nothing new. The Andrex puppy arrived in 1972, and since then has appeared in

countless commercials, all trying to create an emotional connection with the brand. All that may prove to be different is the ease with which a two-way connection can be created and – perhaps even more powerfully – a community of followers can be established that becomes self-sustaining. This, in theory, should be a bunch of fans who post emotional commitments to the brand, be it a fashionable restaurant or a pop group. The reality, though, is often that for every fan there is another disillusioned fan, keen to break the emotional bonds. In business, there are rarely any easy ways of marketing your product.

11.5 What is promotion?

Promotion is a general term that covers all the marketing activity that informs customers about a product and persuades them to buy it. The different elements of promotion can be grouped into two broad categories: those that stimulate short-term sales and those that build sales for the long term. This distinction provides the basis for analysis of most business situations and questions.

Types of promotion for building long-term sales include those described below.

Persuasive advertising

Persuasive advertising is designed to create a distinctive image. A good example is BMW, which has spent decades persuading us that it produces not a car but a 'Driving Machine'. Advertising of this kind has also helped to create clear consumer images for firms such as Tesco and L'Oréal (see Table 11.2).

Company	Slogan	Meaning
Innocent Drinks	'Chain of good: tastes good, does good'	'Our smoothies are good for you (whatever the anti-fruit juice folk say) and we give 10 per cent of our profits to charity (please forget we're now owned by Coca-Cola).'
L'Oréal	'Because you're worth it'	'Go on, spoil yourself; you can afford that bit extra, so buy our products, not those of our competitors.'
McDonald's	'I'm lovin' it'	'Our food may be unhealthy, but it tastes great.'

Table 11.2 Examples of persuasive advertising

Real business

Social media advertising – Samsung

Samsung has its own YouTube channel which it uses to publicise short, humorous films designed to boost its smartphone sales by niggling at Apple's iPhone. The films portray Apple users as middle-aged and mock them gently for being out of touch with modern technology. The best-known of these clips shows Apple fans queuing outside an Apple store for the latest iPhone. While waiting, the middle-aged Apple fans notice younger pedestrians walking by with phones that are 'magnificent'. Samsungs, of course. Further use of social media to spread these films virally helped undermine Apple's once-impregnable share of the US market for smartphones.

Public relations

This is the attempt to affect consumers' image of a product without spending on media advertising. It includes making contacts with journalists to try to get favourable mentions or articles about your product. It would also include activities such as sponsorship of sport or the arts (see Figure 11.3). In 2014, Waitrose decided to sponsor the England cricket team. The upmarket image of cricket would be the perfect match for the posh image of Waitrose stores.



Figure 11.3 Sports sponsorship can boost a brand's image

Types of promotion for sparking short-term sales include those described below.

Buy one get one free (BOGOF)

This type of offer is a desperate, highly short-sighted way to generate sales. It will boost demand, but at the cost of short-term profit margins and at the risk of undermining the credibility of the brand. Would BMW do it (buy one BMW get another free)? Would Apple? No. Nor should anyone else.

Seasonal price promotion

After the summer, seaside hotels face months of empty rooms. Sensible, then, to promote price promotions on your website, or on hotel websites such as Laterooms.com. This can be an effective way to boost **capacity utilisation** and cash flow.

Five whys and a how

Questions	Answers
Why do brands matter?	Because, at their most successful, they give products/services a name, a 'face' and perhaps a personality.
Why does price elasticity reduce when branding is strengthened?	Because stronger branding makes customers less price sensitive. They want that brand and therefore take their eye off the price tag.
Why do firms love to think about viral marketing?	Because the business ideal is a cheap (even free) way to generate lots of customer interest followed by product trial.
Why may a large company be reluctant to rely on social media for its brand images?	It is easy to influence but very hard to control social media, so companies like the certainties involved in running their own TV advertisements/propaganda.
Why may short-term promotions be a mistake in the long term?	No serious business sees short-term sales maximisation as a proper objective; to build for the long term, image has to be built, not exploited.
How important is branding for a business-to-business company?	Even business customers like the promise of quality and consistency, which is the appeal at the heart of many brands.

11.6 Branding and promotion – evaluation

Successful branding is one way to ensure good distribution and good in-store display. Shopkeepers want to show off the latest and the classiest brands. The big question in business is, how can you make a brand desirable? It isn't enough simply to make a high-quality product and charge a lot for it. Customers desire authenticity, distinctiveness and aesthetic quality in their brands; this can be hard to achieve. The US chocolate giant Hershey has all of these things, but repeated research has shown that the British won't accept the Hershey brand.

Whenever writing about branding and promotion, there are two central lines of thought: one, branding success is hugely difficult and may sometimes be partly a matter

of luck (right time, right place); and two, promotion always needs to be rooted in long-term strategy; short-term sales fixes risk damaging the brand.

Key terms

Capacity utilisation: this measures actual usage of your facilities as a percentage of the maximum possible, e.g. a half-empty hotel has 50 per cent capacity utilisation.

Corporate brand: a brand that represents the whole company as well as its products. For example, every JCB construction vehicle features the JCB company logo.

Crowdfunding: obtaining external finance from many individual, small investments, usually through a web-based appeal.

11.7 Workbook

Revision questions

(45 marks; 45 minutes)

- Read the quote by Howard Schultz on page 63. What implications does that have for running a business? (4)
- a) Analyse one of the following brands, examining what you think its qualities are: Galaxy chocolate, TGI Fridays, Nike footwear, Nintendo. (4)
b) For the brand you analysed, explain how its qualities add value. (4)
- a) Give two examples of a brand family. (2)
b) Give two examples of individual brands. (2)

- In your own words, explain what is meant by viral marketing. (3)
- Outline how your school might promote itself through social media. (4)
- Explain what form of promotion you think would work best for marketing:
a) a new football game for the PS4
b) a small, family-focused seaside hotel
c) organic cosmetics for women. (9)
- Why is it important for businesses to monitor the effect of their promotional activity? (4)
- What is meant by the phrase 'promotion needs to be effective'? (4)
- Explain why promotion is essential for new businesses. (5)

Data response

Getting started in business – the cronut craze

It's 5am, Soho, Manhattan, and dozens of people are already in line. Only three hours until the Dominique Ansel bakery opens. Are they looking for work? No, they're queuing for New York's food craze of 2013: the cronut. And when the shop opens, they'll happily hand over \$10 for a box containing just two of the pastries. It is said that they can be resold at ten times the retail price, but as each customer is allowed just one box, this would be a hard way to make a living.



Figure 11.4 The cronut craze

The cronut craze started in mid-May 2013 when bloggers spread the word about the new combination of donut and croissant at this new bakery. Baker-proprietor Ansel makes the flaky layers of a croissant into a ring shape, deep-fries it, then inserts patisserie cream and tops it off with a swirl of icing. Only 200 are made each day, so they sell out by just after 9.00 each morning. Ansel is trying to find a way to manufacture the cronut to meet demand throughout America. Until he does, the queues will persist.

Remarkably, Ansel has been allowed to trademark the name 'cronut', so although he has many imitators already, the 'doissant', the 'zonut' and the 'dosant' have not been able to convince customers that they are the real thing. This has helped him keep the price at more than double the typical price for a New York pastry.

But are the cronuts any good? College students Danielle Owens and Camara Lewis clearly think so, as they've succeeded six times in queueing and eating the cakes. Each month, Dominique Ansel changes the

flavour of the pastry crème filling, to encourage repeat purchase. *The Financial Times* reports that 'The deeply buttery pastry is wonderful, crispy and stacked high with greedy, messy-to-eat layers; the lemon-maple cream is pleasingly sickly.' Visitors from around the US make a beeline for the bakery. Ansel has made a brilliant start so far to his business career. But can he turn the cronut into a nationwide success?

Questions

(30 marks; 30 minutes)

- 1 Explain any evidence here of viral marketing. (4)
- 2 Assess the importance of social media in the development of the cronut business. (10)
- 3 Examine three factors that may determine whether Ansel succeeds in making cronuts a successful brand in the long term. Explain which one you believe will prove the most important. (16)

Extended writing

- 1 Evaluate whether it is time for a brand such as Cadbury Dairy Milk to abandon traditional TV and press media to spend their whole advertising budget on digital and social media. (20)
- 2 Heinz has found that its famous brand limits it from expanding its product portfolio, as people won't accept Heinz chilled ready meals or Heinz pizzas. Evaluate how it might try to overcome this consumer resistance. (20)