CHAPTER II
THEORITICAL STUDIES

2.1. Brand

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect and enchance brands. According to American Marketing Association (AMA), "a brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition" (Kotler, 2003, p. 418).

Thus a brand identitites the seller and maker. Under trademark law, the seller is granted exclusive rights to use the brand name in perpetuty. Brands differ from other assets such as patents and copyrights, which have expirateion dates.

Customer uses brand names and symbols to identify the specific product they have tried before. Brand transfer product and service into something larger than the product itself. Brand is more than the product itself. The products may include scope, attributes, uses, quality/value, and functional benefits. However, brand includes the product and their components, which includes organizational associations, brand personality, symbols, brand/customer relationships, self-expenssive benefits, emotional benefits, user imagery, and country of origin.

A brand is a complex symbl that can convey up to six levels of meaning (Kapferer, 1992, p.38) :

- Attributes : A brand brings to mind certain attributes.
- Benefits : Attributes must be translated into functional and emotional benefits.
- Values : The brand also says something about the producer's values.
- Culture : The brand may represent a certain culture.
- Personality : The brand can project a certain personality.
- User : The brand suggest the kind of consumer who buys or uses the product.

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Companies need to research the position their brand occupies in the customers' minds. Ultimately, a brand resides in the minds of consumers. There are three commonly used research approaches to get at brand meaning:

1. Word associations : People can be asked what words come to mind when they hear the brand's name.
2. Personifying the brand : People can be asked to describe what kind of person or animal they think of when the brand is mentioned.
3. Laddering up to find the brand essence : Brand essence relates to deeper, more abstract goals consumers are trying to satisfy with the brand.

Marketers must decide at which level to anchor the brand's identity. Scott Davis suggest visualizing a brand pyramid in constructing the image of a brand. At the lowest level are the brand attributes, at next level are the brand's benefits, and at the top are the brand's beliefs and values.

Building the brand identity requires additional decisions on the brand's name, logo, colors, tagline, and symbol. At the same time, a brand is much more than a name, logo, colors, a tagline, or symbol. These are marketing tools and tactics. A brand is essentially a marketer's promise to deliver a specific set of features, benefits, and services consistently to the buyers. The marketer must establish a mission for the brand and a vision of what the brand must be and do. The marketer must think that he is offering a contract to the customer regarding how the brand will perform. The brand contract must be honest.

At best, the brand campaign will create name recognition, some brand knowledge, maybe even some brand preference, but an ad campaign does not create brand nonding, no matter how much the company spends on advertising and publicity. Brand bonding occurs when customers experience the company as delivering on its benefit promise. The fact is that brands are not built by advertising but by the brand experience. All of the customers' contacts with company employees and company communications must be positive. The brand idea will not take unless everyone in the company lives the brand.

2.1.1. Subbrand

The practice combining an existing brand with a new brand is called sub-branding because the subordinate brand is a means of modifying the superordinate brand. A sub-brand, or hybrid branding, strategy can also allow for the creation of specific brand beliefs. (Keller, 2008, p.465)

Subbrands are brands that modify the associations of a master or parent brand, which remains the primary frame of reference. The subbrands can add associations, a brand personality, a product category, and even energy. In doing so, they stretch the master brand. In fact, one role of a subbrand is usually to extend a master brand into a meaningful new segment. (Aaker, 2004, p.44)

Sub-branding thus create a stronger connection to the company or family brand and all the associations that come along with that. At the same time, developing sub-brands allows for the creation of brand-specific beliefs. This more detailed information can help customers better understand how products vary and which particular product may be the right one for them. Sub-brands also help to organize selling efforts so that salespeople and retailers have a clear picture of how the product line is organized and how best to sell it.

Sub-brands and endorsed brands are important portfolio tools because they allow brands to be stretched beyond their existing zone of comfort. As such, they provide vehicles to do the following:

- Address conflicting brand strategy needs as when brand image needs to be adapted to a new product – market context
- Conserve brand – building resources in part by leveraging existing brand equity
- Protect brands from being diluted by overstretching
- Signal that an offering is new and different without starting over with a new brand

Without these product-defining tools, the choice of a new offering would be limited largely to either building a new brand (an expensive and difficult proposition) or extending an existing brand with a descriptor.

However Al Ries have different opinions. He said "When you feel the need to create subbrands, you are chasing the market, you are not building the brand. The essence of a brand is some idea or attribute or market segment you can own in the mind. Subbranding is a concept that takes the brand in exactly the opposite direction. Subbranding destroys what brand builds. (Al Ries, 2002, p.76)

2.2. Brand Extensions

A brand extension occurs when a firm uses an established brand name introduce a new product. When a new brand is combined with an existing brand, the brand extension can also be a sub-brand. An existing brand that gives birth to a brand extension is the parent brand. If the parent brand is already associated with multiple products through brand extensions, then it may also call a family brand. (Mullins, 2008, p. 249)

Brand extensions fall into two general categories:

- Line extensions

  Marketers apply the parent brand to a new product that targets a new market segment within a product category the parent brand currently serves. A line extension often adds a different flavor or ingredient variety, a different form or size, or a different application for the brand.
- Category extension

  Marketers apply the parent brand to enter different product category from the one it currently serves

An extension of a brand into a new product-market context can do the following :

- Enhance a brand's visibility and image. Placing the brand in another setting can be a more effective and efficient brand – building approach than spending money on advertising
- Create communication efficiencies
- Change a brand image
- Provide a way to maintain relevance by creating competitive entries in emerging product-markets that would be difficult or impossible to enter without an existing brand asset.

- Inhibit a competitor from gaining or exploiting a foothold in the market.
- Provide a source of energy for a brand, especially a brand that is established and a bit tired.

Entering a new product – market may require a new brand, or at least a new endorsed brand. New brands are risky and expensive, however, so leveraging existing brands is the preferred route. There are two related approaches to brand extensions. The first is to challenge in sequential brand extensions in an ad hoc manner. The challenge is to make sure that each extension has a maximum chance of achieving its objectives and that the risks to the brand are minimized. The second, a more strategic perspective, is to develop range brand platforms that are intended to support business in multiple product markets, a range brand being a brand that ranges over product classes. The range brand platform perspective involves managing the brand for the long term, with a vision of the ultimate product scope of the brand after a series of extensions have been introduced. With this ultimate goal in mind, a firm must create associations that will drive the brand in all of those products classes. The sequential brand extensions are then introduced in a way that allows the desired vision to emerge.

Brand extensions can come in all forms. One well known branding expert, Edward Tauber, identifies the following seven general strategies for establishing a category or what he calls a franchise – extension (Tauber, 1988, p. 26-30) :

1. Introduce the same product in different form
2. Introduce products that contain brand's distinctive taste, ingredients, or component.
3. Introduce companion products for the brand
4. Introduce products relevant to the customer franchise of the brand
5. Introduce products that capitalize on the firm's perceived expertise.
6. Introduce products that reflect the brand's distinctive benefit, attribute, or feature

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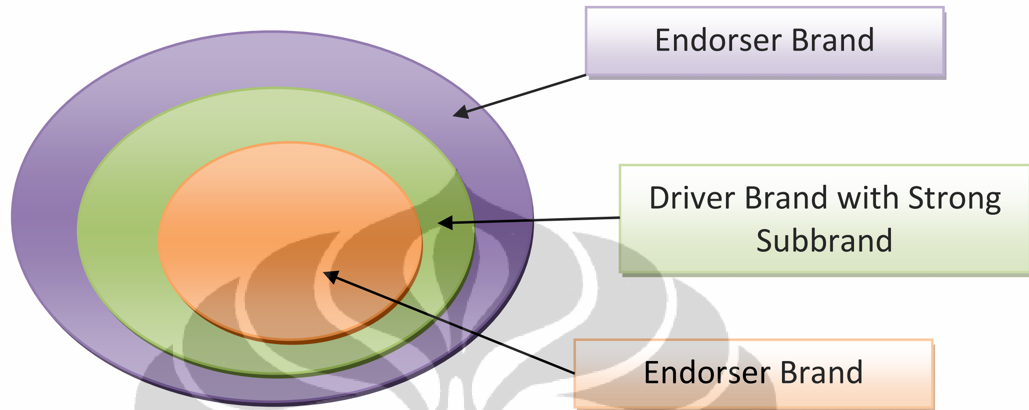
7. Introduce products that capitalize on the distinctive image or prestige of the brand

Exhibit 2-1 Brand Scope



Source: Aaker, 2004

Several levels of brand extensions can exist in combination, as suggested by Figure 2.1. The first level is where the brand plays the primary driver role in the extensions, coupled with either descriptors or weak subbrands. The second level is where the brand is extended with strong subbrands. The third level is where extensions use an endorsed brand.

2.2.1. Brand Extension and Brand Equity

The first part of the brand extensions decision involves the judgment of where to extend. What products offerings would both leverage and reinforce the brand? The second decision is what brand strategy to use. The options developed in the discussion of the brand relationship spectrum. Ultimately, there is also the option of creating a new brand for a proposed offering if it is concluded that the existing brand simply doesn't fit.

Finding the most promising extension direction will involve first determining where the brand can add value. Extension customer research can help. A first step is to understand the associations. A second is to identify candidate product categories for which there would be to be fit. A third is to

evaluate the category as to its business attractiveness. The fourth is to consider some product offering and positioning options.

Extension research identifies those product categories for which the brand fits and adds value. The first step is to determine the existing brand associations and the brand identity. There can be many sources of a common associations, including user types, location, ingredients, and symbols. The second step is to identify related product category opportunities for each of the brand's major associations or sets of associations. At this stage, the screening should be limited, the goal is to get extensions options on the table. The categories suggested by extension research need to be evaluated. Is the category attractive, and will it remains so? Is it growing? Are margins healthy or deteriorating? What is the competitive landscape now and in the future? Are the existing competitors strong and committed, or vulnerable and looking elsewhere for future growth? Will other players enter? Is there overcapacity? Are the pockets of unmet customer needs? Are there opportunities defined by segments that might fit the brand? Would a new entry become a platform for future business opportunities? Are there other strategic objectives of the extension besides entering a new product-market?

The firm will need to go market with a particular offering and positioning strategy. The biggest mistake is introducing a me-too product with no differential advantage. Customers are usually capable of directly appraising the fit and credibility of a brand option. They can even assess the brand's ability to add value.

The extension offering needs to have a brand strategy. While there are many variants in the brand relationship spectrum, four major brand option exist, three of which leverage existing brands :

- An existing master brand with a descriptive subbrands (a branded house)
- An existing master brand with a subbrand
- A new brand endorsed by an existing brand

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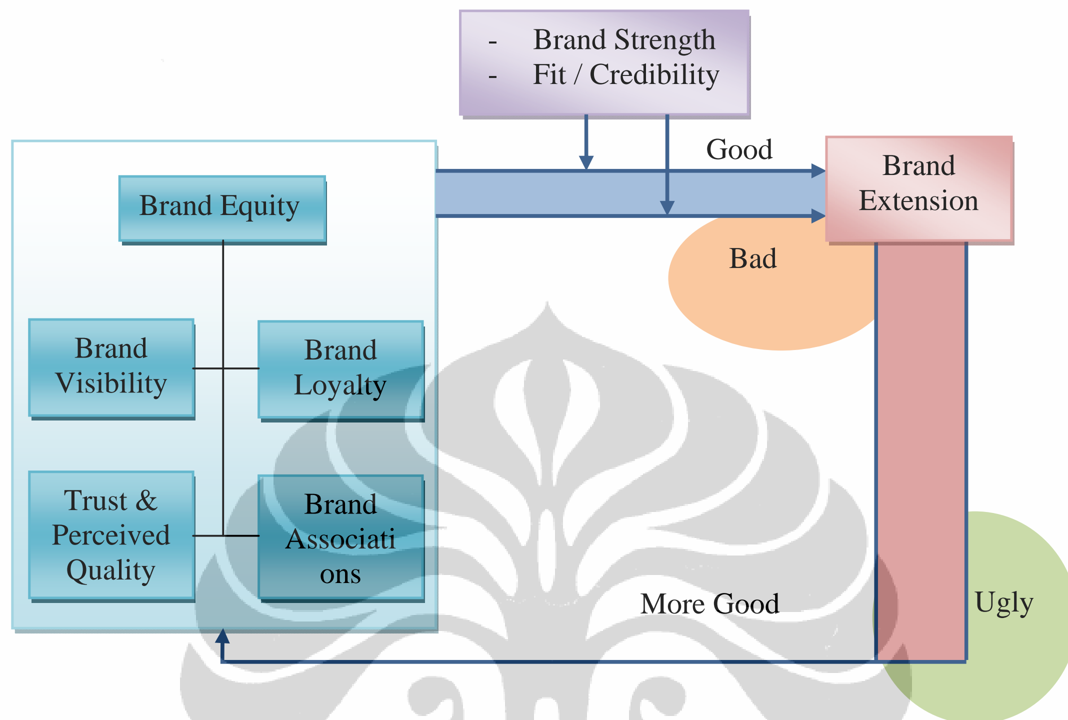
Exhibit 2-2 Brand Equity and The Brand Extension



Source: Aaker, 2004

The fourth option is a new brand unrelated to an existing brand. When evaluating the brand extension options, the most accurate conclusion might be that none of them will be desirable and feasible. Comparing them to a new brand option may keep the process from being channeled toward a suboptimal decision. There are three questions upon which the optimal extension branding choice depends are as follows :

- Will the brand enhance the extension?
- Will the extension enhance the brand?
- Is there a compelling reason to generate a new brand?

The first two of these questions focus on what happens when a brand is leveraged. Figure 2.2 suggest that brand equity can affect the extension both positively and negatively. This figure also indicates that the extension in turn can affect these brand equity dimensions both positively and negatively. Too

often the impact of the extension on the brand is not given enough weight, but in the long run, it can be the most important result of an extension.

2.2.1.1. Positive Effect of Brand Extension toward Brand Equity

An established brand name can help a new offering by creating or enhancing awareness, quality or trust associations, and a customer base. As a result, there is the potential to save go-to-market time and resources, thereby enhancing the chances of success. (Aaker, 2004, 203 - 208)

1. Awareness or Presence

   A very basic task when entering a new product market is simply become relevant. Without some level of brand relevance, an offering will be excluded from consideration by much of the market. To achieve relevance, the brand needs to gain awareness and be linked to product class. The use of a recognized brand name on a new product means that name recognition has been accomplished, and the communication task is reduced to the more manageable one of associating the name with the new product class. Name familiarity also provides in itself a basis for customer affinity. People have been shown to like the familiar in many settings, even when there is nothing to back it up. Further, customers often assume that because a brand is familiar, it has achieved market acceptance at some level. Even for an established brand, however, building an association with a new product class is not a trivial task.

2. Perceived Quality and trust

   An established brand can potentially bring to the extension perceived quality, an organizational intangible that is often pivotal to getting into the consideration set and can even become a key influence on the purchase decision, especially when sharp differentiation is lacking. A related organizational intangible is trust, where the organization can be trusted to deliver whatever is promised. It reduces consumer risk and means that the firm is established, is unlikely to promote a flawed product, and is likely to be around to support it in the

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future. The use of established brand names is an efficient way to build on organizational associations such as perceived quality and trust.

3. Brand Associations

Brand awareness and even a high level of perceived quality and trust will often be inadequate to carry the day. There usually needs to be a point of differentiation that is relevant to consumers in order to stimulate purchase and loyalty. A sustainable point of differentiation with respect to a key attribute can be difficult to create, especially if one's competitors are established. Drawing on the association of an existing brand, whether it is a functional association, a brand personality, a lifestyle association, or some other basis for a customer relationship can provide support a point of differentiation efficiently, credibly, and economically. A strong association can help the communication task as well as positioning of a brand. The communication task is reduced to exposing customers to the brand name and symbol. When the brand has associations that are strongly tied to a product class, the extension potential is limited. A host of the brand association can provide credibility and a point of differentiation for an extension. Most fall into one of the following leverage points :

- Product category
- Product attribute or functional benefits
- Application
- Technology
- Channel
- User
- Brand personality or self-expressive benefits

4. Brand Loyalty

Existing customer have an affinity for the brand, a deeper understanding and relationship that can be tapped by the extension. Of course, not all extension draw on the brand's customer base, but relevance to the customer base can be a significant asset to the extension.

5. Fit or credibility of the brand and the extension

Several studies have shown that the success of the extension will depend on the fit and credibility of the brand with the product context of the extension. The fit relates to whether the customer is comfortable with the brand in the new context, while the credibility relates to the brand's perceived ability to deliver in the space. A credibility measure was whether the brand's firm had the assets and skills needed to make a superior extension product. A fit measure was whether there existed a complementary relationship. A low fit or credibility rating is not necessarily fatal. Some products with an apparent problem may actually work if positioned in such a way as to emphasize a link between the brand and the product class. A study by Klink and Smith showed that fit and credibility would improve when the extension concept was elaborated more, and also when the prospective customer was exposed to the concept multiple times. Also, a successful extension can change perceptions of the brand.

The focus of most extensions is on making sure that the extension is successful. Yet an equally or more important consideration should be how the extension affects the brand equity. The extension has the potential to contribute to all four dimension of brand equity.

An extension provides visibility, advertisement for a new brand or new extensions would imply on market acceptance and capability. Such associations are critical in that extensions can have an important influence on the brand image. Extension can and should reinforce the brand image, thus providing a brand building function instead of weakening the brand name and draining its goodwill. Sometimes a brands needs to change its image in order to remain relevant or to adapt to a new strategic direction. The image change or augmentation may be the most important objective, and the sales success of the extension may be relatively unimportant. An extension can enhance the brand over all of the equity dimensions by introducing the brand to new segments that might, as a result, become consumers in the existing context.

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2.2.1.2. Negative Effect of Brand Extension toward Brand Equity

The brand name is often the key asset of the firm. So, however tempting it may be to evaluate the extension as a business direction on its own merits, firm should consider possible the possible damage it could cause by diluting the brand image, creating undesirable associations, failing to deliver on the brand promise, or predicting some visible disaster.

In fact, a failed extension is usually not nearly as problematic as one that succeeds and damages the brand name by creating undesirable attribute associations, reducing the brand's perceived quality, or altering existing associations. A brand extension failure usually lacks visibility, which can be a saving grace. (Aaker, 2004, 210 - 213)

1. Diluting existing brand association

   The brand associations created by an extension can blur a sharp image that had been a key asset, and at the same time reduce brand's credibility within its original setting. Cadbury's association with fine chocolates and candy certainly weakened when it got into such mainstream food products as mashed potatoes, dried milk, soups, and beverages.

   When a brand's self expensive benefits are supported neither by the fact that is nor for or available to everyone, excessive extensions could make the brand too commonplace.

2. Undesirable attribute associations are created

   An extension will usually create new brand associations, some of which can be potentially damaging to the brand in its original context. Under what conditions will an extension's potentially negative associations are transferred to the original brand context? The transfer should be less likely if :

   - The original brand associations are very strong,
   - There is a distinct difference between the original brand context and the extensions, and
   - The difference between the original brand context and the extension is not so extreme as to appear inconsistent.

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3. The brand fails to deliver on its promise

Any extension will risk brand equity if does not deliver on the key brand promise. This is particularly true if the extension draws on the brand's loyal customer base. The brand is particularly vulnerable when it is vertically extended downward.

4. A disaster Occurs

A disaster out of a firm's control can happen to almost any brand name. To the extent that the name is used on many products, the damage will be more extensive.

5. The brand franchise is cannibalized

An important part of the brand equity is a brand's customer base. If sales of a brand extension come at the expense of the original brand, the extension's sales may not compensate for the damage to the original brand's equity. Of course, it is better to cannibalize a brand's sales than to have a competitor erode a position.

2.2.2. Advantages and Disadvantages of Extensions

For most firms, the question is not whether to extend the brand, but when, where, and how to extend it. Well planned and well implemented extensions offer a number of advantages to marketers that we can broadly categorize as those that facilitate new product acceptance and those that provide feedback benefits to the parent brand or company as whole.

2.2.2.1. Advantages of Brand Extensions

According to Keller there are number of advantages for brand extensions (Keller, 2008, p.494):

1. Facilitate New product Acceptance

The high failure rate of new products has been well documented. Marketing analysis estimated that only 2 of 10 products will be successful. Brand extensions can certainly suffer from some of the same shortcomings faced by any new products. Nevertheless, a new

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product introduced as a brand extension may be more likely to succeed, at least to some degree, because it offer the advantages such as :

a. Improve brand image

   With a brand extension, consumers can make inferences and form expectations about the likely composition and performance of a new product, based on what they already know about the brand itself and the extent to which they feel this information is relevant to the new product. These inferences may improve strength, favorability, and uniqueness of the extension's brand associations.

b. Reduce risk perceived by customers

   One research study found that the most important factor for predicting initial trial of a new product was the extent to which it connected to a known family brand. Although corporate brands can lack specific product associations because of the breadth of products attached to their name, their established reputation for introducing high-quality products and standing behind them may be an important risk reducer for consumers.

c. Increase the profitability of gaining distribution and trial

   Because of potentially increase consumer demand for a new poduct introduced as an extension, it may be easier to convince retailers to stock and promote it.

d. Increase efficiency of promotional expenditures

   From a marketing communications perspective, one obvious advantage of introducing a new product as a brand extension is that the introductory campaign does not have to create awareness of both the brand and new product but instead can concentrate on only the new product itself.

e. Reduce cost of introductory and follow-up marketing programs

f. Avoid cost of developing a new brand

   Developing new brand elements is an art and a science. To conduct necessary consumer research and employ skilled personnel to design high-quality brand names, logos, symbols, packages,

characters, and slogans can be quite expensive, and there is no assurance of success.

g. Allow for packaging and labeling efficiencies

Similar or virtually identical packages and labels for extensions can result in lower production costs.

h. Permit consumer variety seeking

If offered a portfolio of brand variants within a product category, consumers who need change because of boredom, satiation, can switch to a different product type if they so desire without having to leave the brand family. A complement of line extensions can also encourage customers to use the brand to a greater extent or in different ways.

2. Provide feedback benefits to the parent brand

Besides facilitating acceptance new products, brand extensions can also provide positive feedback to the parent brand in a number ways:

a. Clarify brand meaning

Extensions can help to clarify the meaning of a brand to consumers and define the kinds of markets in which it competes. Broader brand meaning often is necessary so that firms avoid 'marketing myopia' and do not mistakenly draw narrow boundaries around their brand, either missing market opportunities or becoming vulnerable to well-planned competitive strategies. In some cases, it is advantageous to establish a portfolio that completely satisfies consumer needs in a certain area.

b. Enhance the parent brand image

According to the customer-based brand equity model, on desirable outcome of a successful brand extension is that it may enhance the parent brand image by strengthening an existing brand associations, improving the favorability of an existing brand association, adding a new brand association, or a combination of these. One common way that a brand extension affects the parent brand image is by helping to clarify its core brand values and associations. Another

type of association that successful brand extensions may improve is consumer perceptions of the credibility of the company behind the extension. Besides increasing the difficulty and expense of launching a new brand, these companies also lost the opportunity to modernize the parent brand image and improve its technological credentials.

c. Bring new customers into the brand franchise and increase market coverage

   Line extensions can benefit the parent brand by expanding market coverage, such as by offering product benefit whose absence may have prevented consumers from trying the brand. Creating "news" and bringing attention to the parent brand may benefit the family brand as a whole.

d. Revitalize the brand

   Sometimes brand extensions can be a means to renew interest in and liking for the brand.

e. Permit subsequent extensions

   One benefit of a successful extension is that it may serve the basis for subsequent extensions.

2.2.2.2. Disadvantages of Brand Extensions

Despite their potential advantages, brand extensions have a number of disadvantages for brand extensions (Keller, 2008, p.502):

1. Can confuse or frustrate consumers

   Different varieties of line extensions may confuse and perhaps even frustrate consumers about which version of the product is the "right one" for them. In some situations, greater product variety may induce shoppers to buy less. Consumers may reject new extensions for tried and true favorites or all-purpose versions that claim to supersede more specialized product versions. Moreover, because of the large number of new products and brands continually being introduced, many retailers do not have enough shelf or display space to stock them all. Some

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consumer may be disappointed when they're unable or unwilling to stock it. If a firm launches extensions that consumers deem inappropriate, they may question the integrity and competence of the brand.

2. Can encounter retailer resistance

   The number of consumer packaged-goods stock-keeping units (SKUs) outpaces the growth of retail space in year-on-year percentage growth. As a result, it has become virtually impossible for a grocery store or supermarket to offer all the different varieties available across all the different brands in any one product category. Moreover, retailers often feel that many line extensions are merely "me-too" products that duplicate existing brands in a product category and should not be stocked even if there were space.

3. Can fail and hurt parent brand image

   The worst possible scenario for an extension is not only to fail, but to harm the parent brand image in the process. Even if an extension initially succeeds, by linking the brand to multiple products, the firm increases the risk that an unexpected problem or even a tragedy with one product in the brand family can tarnish the image of some or all the remaining products.

4. Can succeed but cannibalize sales of parent brand

   Even if sales of a brand extension are high and meet targets, this revenue may have resulted merely from consumers switching to the extension from existing product offerings of the parent brand, in effect cannibalizing the parent brand.

5. Can succeed but diminish identification with any one category

   One risk of linking multiple products to a single brand is that the brand may not be strongly identified with any one product. Thus, brand extensions may obscure the identification of the brand with its original categories, reducing brand awareness.

6. Can succeed but hurt the image of the parent brand

   If the brand extension has attribute or benefit associations that are seen as inconsistent or perhaps even as conflicting with the corresponding associations for the parent brand, consumers may change their perceptions of the parent brand as a result.

7. Can dilute brand meaning

   The potential drawbacks of a brand extension's lack of identification with any one category and a weakened image may be especially evident with high-quality or prestige brands.

8. Can cause the company to forgo the chance to develop a new brand

   One easily overlooked disadvantage to brand extensions is that by introducing a new product as a brand extension, the company forgoes the chance to create new brand, with its own unique image and equity. There may be a loss of flexibility in the brand positioning for the extension, given that is has to live up to the parent brand's promise and image.

2.3. Decline of the Brand

Branding has been used since ancient times to distinguish product from different sellers (Aaker, 1991). Today, the power of a brand lies in its equity with its customers, and over the years, a more customer based brand equity framework has been developed. Accordingly, brand equity has been defined as "the differential impact of brand knowledge, which comprises of brand awareness and brand image, on customer response." Thus, when a brand has high awareness, and consumers "hold strong, favorable, and unique brand associations," it is considered to have strong equity (Keller, 1999, p.102).

Managerial actions, both strategic and tactical, play a vital role in determining a brand's future. These actions act as a generative force in the brand's evolutionary growth. However, managerial actions do not take place in isolation. The market environment serves as a selective force, affecting brands in certain industries. Finally, for most brands, the effectiveness of management actions will be impacted by the intervening actions of

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competitors. In other words, competitor's actions act as a meditative force in a brand's evolution. Thus, in the context of brands, managerial and entrepreneurial activities constitute the generative force, the market environment acts as the selective force, and competitors' actions and responses to marketing initiatives constitute the meditative force. This is an intuitive and insightful approach of categorizing the key factors in a brand's success or decline. Below are these forces, and explain their role in brand decline:

1. Managerial Actions

   Brands often decline because of "leadership, management, and employees making excuses rather than acting with integrity" (R. Strauss, Personal Communication, January 24 2006). Even environmental factors and competitive actions remain static, managerial actions can significantly impact brand health. Such actions can be classified into five categories:

   a. Product Quality :

      A successful brand sometimes can lull its management into complacence. The sheer success of a brand becomes its own undoing. When compromises in product quality for cost-cutting reasons do not impact brand loyalty in the short run, managers mistakenly conclude that consumers are willing to accept "or live wit" it. However, when the customers' experience with the brand does not live up their expectations, the brand eventually starts to decline.

   b. Price Increases

      If a company continues to raise prices without offering a corresponding increase in benefits, sooner or later consumers will start to abandon the brand.

   c. Price Cuts

      When a company cuts prices in desperation to increase sales, it can also damage the brand. To maintain the low prices the company had to use cheaper material.

d. Brand Neglect

When a brand becomes popular, inaction creeps in. Even successful brand need constant nurturing. However, management can lose sight of this, start looking at its core brands as cash cows, and neglect to invest in them (Aaker, 1991). A brand could also face neglect when organizational shake-ups result in less attention being paid to a strong brand associated with the earlier management.

e. Inability to Stay with the Target Market

When the target market moves away from the brand, the brand can move into decline.

2. Environmental Factors

Markets are dynamic in nature and can be significantly influenced by the larger environment they operate in. They can undergo major transformations, which in turn, have an impact on the various companies in an industry and their brands. Cigarette brands in the United States have been affected by changes in the legal environment. The industry is facing an increasing number of regulations and strong negative publicity.

3. Competitive Actions

In most markets today, a brand has to face the relentless onslaught of its competitors. This can become particularly problematic if the competitors have deep pockets. Newer competitors are often more nimble. They are able to leverage new technologies or marketing approaches to their advantage to challenge well established market leaders, who are often bound by their legacy.

2.3.1. Deconstructing Brand Decline

The sign of an impending brand decline is a significant drop in unit sales over a sustained period. While sales can fluctuate in response to the market dynamics and competitors' actions, a prolonged decline is a clear warning sign. Some managers counter it by quick fix solutions such as raising

prices or introducing brand extensions. Such solutions may push up revenues, but can often mask and compound the real problems. Therefore, to avoid a damaging outcome, it is important to deconstruct the decline in terms of reliable precursors to sales. To do so, we revisit the concept of brand equity that was outlined earlier in the paper: "the differential impact of brand knowledge, which comprises of brand awareness and brand image, on customer response." Thus, there are three key elements of a brand's equity, and a change in one or more of these can signal a brand's impending decline.

1. Brand Differentiation

   Differentiation is the anchor of a brand's equity. Without differentiation a company cannot charge a premium, nor can it sustain a brand. After all, how a brand is differentiated is at the core of any persuasive marketing message by a company to urge customers to buy its brand. Lack of differentiation will likely lead to decline. As such, marketing managers should not only monitor differentiation, they should carefully articulate it. This may require some creativity, but meaningful differentiation is necessary.

2. Brand Knowledge

   Once a differentiation has to been created for a brand, the market has to be informed about it, for the differentiation to be at any practical value.

   a. Brand Awareness : Brand awareness is the most widely used gauge of brand knowledge. It brand awareness is falling, this could be a serious long-term problem. Typically, a popular brand will have very high aided recall and high top-of-mind and unaided recall, both indicators of brand awareness. To spot brand decline quickly, a manager should constantly monitor brand awareness levels, as they can be a strong signal of future problems.

   b. Brand Image : The image of a brand could change over time. It is important for a brand to maintain "strong, favorable, and unique brand association" (Keller, 1999, p.102). However, it is not

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uncommon to see an innovative brand losing its well defined and focused image.

To prevent such situations, companies need to monitor brand image and look for changes in consumer perceptions. Unlike (objective) awareness level, however, image is more challenging and expensive to track, because of its inherently abstract nature.

3. Customer Response

While the sales figure are the ultimate measure of customers' lackluster response, there are other leading indicators managers can examine, such as purchase intentions and brand loyalty measures. Another indicator that is particularly useful and more easily monitored is brand switching behavior. Decline is often preceded by heightened levels of brand switching behavior. Brand switching may be triggered for a variety reasons, such as an increase in the price, the new entry of a new competitor in the market, or negative news about the brand. Nonetheless, it tends to happen only when the bond that brand has had with the consumer has already been weakened. Thus, an increase in brand switching provides a meaningful metric and an early warning system for monitoring brand decline.

2.4. Revitalizing Brands

Revitalization strategies obviously run along continuum, with pure "back to basics" at one end and pure "reinvention" at the other. Many campaigns combine elements of both strategies. Finally, not that marketing failures, in which insufficient consumers are attracted to a brand, are typically much less damaging than product failures, in which the brand fundamentally fails to live up to its consumer promise. (Keller 2008, p. 558)

With an understanding of the current and desired brand knowledge structures in hand, we can again look to the customer-based brand equity framework for guidance about how to best refresh old sources of brand equity or create new ones to achieve the intended positioning. According to the model, we have two options :

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1. Expand the depth or breadth of brand awareness, or both, by improving consumer recall and recognition of the brand during purchase or consumption settings
2. Improve the strength, favorability, and uniqueness of brand associations making up the brand image. This may require programs directed at existing or new brand associations.

By enhancing brand salience and brand meaning in these ways, we can achieve more favorable responses and greater brand resonance. We can refurbish lost sources of brand equity and establish new ones in the same three ways we create sources of brand equity to start with: by changing brand elements, changing the supporting marketing program, or leveraging new secondary associations. In this section we consider several alternative strategies for leveraging awareness and image of an existing brand to refresh old sources or create new sources of brand equity.

2.4.1. Expanding Brand Awareness

With a fading brand, often depth of awareness is not a problem – consumers can still recognize or recall the brand under certain circumstances. Rather, the breadth of brand awareness is stumbling block – consumers tend to think of the brand only in very narrow ways.

Let's consider strategies to increase usage of and find new uses for the brand. Assuming a brand has reasonable level of consumer awareness and a positive brand image, perhaps the most appropriate starting up point for creating new sources of brand equity is to increase usage. In many cases, this approach represents the path of least resistance because it does not require difficult and costly changes in brand image or positioning but rather relatively easy changes.

We can increase usage either by increasing the level or the quantity of consumption or by increasing the frequency of consumption. Increasing frequency of use, on the other hand, requires either identifying new opportunities to use the brand in the same basic way, or identifying completely new and different ways to use the brand. Increasing frequency of use is a

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particularly attractive option for brands with large market share. Here are the two options :

1. Identifying Additional or New Usage Opportunities

   To identify additional or new opportunities for consumers to use the brand more, marketers should design a marketing program to include both of the following:

   - Communications about the appropriateness and advantages of using the brand more frequently in existing situations or in new situations
   - Reminders to consumers to actually use the brand as close as possible in time to those situations for which it could be used

   Another opportunity to increase frequency of use occurs when consumers' perceptions of their usage differ from the reality. Perhaps the simplest way to increase usage occurs when it is less than the optimal or recommended level. Here we want to persuade consumers of the merits of more regular usage and overcome any potential hurdles to increased usage, such as by making product designs and packaging more convenient and easier to use.

2. Identifying new and completely different ways to use the brand

   The second approach to increasing frequency of use for a brand is to identify completely new and different applications. New usage applications may require more than just new ad campaigns or merchandising approaches. Often, new uses can arise from new packaging.

2.4.2. Improving Brand Image

Although changes in brand awareness are probably the easiest means of creating new sources of brand equity, more fundamental changes are often necessary. We may need to create a new marketing program to improve strength, favorability, and uniqueness of brand associations making up the brand image. As part of this repositioning, we may need to bolster any positive

associations that have faded, neutralize any negative associations that have been created, and create additional positive associations.

1. Repositioning the Brand

   In some cases, repositioning the brand requires us to establish more compelling points of difference. This may simply reminding consumers of the virtues of a brand that they have begun to take for granted. In the other hand, we need to reposition a brand to establish a point of parity on some key image dimension. A common problem for marketers of established, mature brands is to make them more contemporary by creating relevant usage situations, a more contemporary user profile, or a modern brand personality. Heritage brands that have been around for years may be seen as trustworthy but also boring, uninteresting, and not that likeable. Updating a brand may require some combination of new products, new advertising, new promotions, new packaging, and so forth.

2. Changing Brand Elements

   Often we must change one or more brand elements to either convey new information or signal that the brand has taken on new meaning because the product or some other aspect of the marketing program has changed. The brand name is typically the most important brand elements, and it's often the most difficult to change. It is easier to change other brand elements, and we may need to, especially if they play an important awareness or image function such as modify and update packaging, logos and characters. We noted there that changes generally should be moderate and evolutionary in nature, and marketers must take great care to preserve the most salient aspects of the brand elements.

2.4.3. Entering New Markets

Positioning decisions require us to specify the target market and the nature of the competition to set the competitive frame of reference. Market segments the firm currently serves with other products may represent potential

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growth targets for the brand. Effectively targeting these other segments, however typically requires some changes or variations in the marketing program, especially in advertising and other communications, and the decision whether to do so ultimately depends on a cost-benefit analysis. To grow the brand franchise, many firms have reached out to new customer groups to build brand equity. Segmenting on the basis of demographic variables or other means and indentifying neglected segments in thus one viable brand revitalization option. In some cases, just retaining existing consumers who might eventually move away from the brand, or recapturing lost customers who no longer use the brand, can be a means to increase sales. One strategic option for revitalizing a fading brand is simply to more or less abandon the consumer group that supported the brand in the past to target a completely new market segment.

2.4.4. Correct the Mismanagement of the Brand

Managerial actions are probably the most common cause of brand decline and this manifests itself in a variety of ways. The main problem is the failure to clearly understand brand decline and the commitment to do what is necessary to reverse the trend, and change strategies that weakened the brand in the first place. Below are the outline ways to address some consistent themes that have emerged in declining brands. (Thomas, Kohli, 2008, p. 13-14)

1. Rebuild Quality

   In the short run, compromise on quality may go unnoticed, and customers may stick to the brand out of fondness or loyalty. However, poor quality rarely goes unnoticed, and at some point customers start to abandon the brand. If poor quality is a problem, it needs to be fixed. The management will have to determine if it is a worthwhile exercise. However, once the decision is made to revive the brand, expensive as it may be, quality issues have to be addressed.

2. Resist the temptation to ‘Milk’ the Brand

   If a brand is to be revived, the management has to invest in the brand. An aggressive form of milking is cutting prices steadily to a level that

may be more acceptable to the market, is a reflection of the brand's weaker position.

3. Have a carefully defined target market

Target market can mature or shrink over time. When that happens, managers have a very difficult choice. Moving with the target market that is shrinking is not appealing, nor is switching to another target market, because of the risk of alienating the core customer base.

2.5. Marketing Plan

Planning is essentially a process directed toward making today's decision with tomorrow in mind and a means of preparing for future decisions so that they may be made rapidly, economically, and with as little disruption to the business as possible. A business strategy usually covers a plan for a single product or a group of related products. (Jain, 2000, p.5)

Strategic planning calls for actions in three key areas, the first is managing a company's businesses as an investment portfolio. The second involves assessing each business's strength by considering the market's growth rate and company's position and fit in that market. The third is establishing a strategy. For each business, the company must develop a game plan for achieving its long-run objectives.

To understand marketing management, we must understand strategic planning. Most large companies consist of four organizational levels : the corporate level, the division level, the business unit level, and the product level. Corporate headquarters is responsible for designing a corporate strategic plan to guide the whole enterprise, it makes the decisions on the amount of resources allocate to each division, as well as on which businesses to start or eliminate. Each division established a division plan covering the allocation of funds to each business unit within the division. Each business unit develops a strategic plan to carry that business unit into profitable future. Finally, each product level within a business unit develops a marketing plan for achieving its objectives in its product market.

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The marketing plan operates at two levels, strategic and tactical. The strategic marketing plan lays out the target markets and the value proposition that will be offered, based on analysis of best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, advertising, merchandising, pricing, sales channels and service. The marketing plan is the central instrument for directing and coordinating the marketing effort. (Kotler, 2003, p. 90)

The marketing planning process is a delicate combination of creativity and structure. A marketing plan has to have enough structure to ensure that is comprehensive and accurate, and the marketing strategies, resources, and performance objectives are credibly linked to the market situation. A business with no marketing plan completely forgoes the opportunity to uncover key market insights.

The primary objective of a marketing plan is to make clear how it will impact three important overall business performance objectives :

- Revenue growth : How much growth, if any, will the marketing plan contribute to the business's overall growth objectives?
- Strategic position : How will the marketing plan contribute to the overall strategic objectives of the business?
- Financial performance : How will the marketing plan impact investment, cash flow, and net income, and ultimately how will it contribute to shareholder value?

2.5.1. The Benefits of a Good Marketing Plan

A good marketing plan is an essential part of a proactive marketing strategy. There are, however, important benefits that result directly from the process of developing a marketing plan, as well as the successful implementation of the marketing plan. (Best, 1997, p. 343)

1. Identify Market Opportunities and Threats

   It is not the plan, but the process, that helps a business uncover key opportunities and recognize important threats. With a systematic evaluation of the market and internal capabilities, there is the

opportunity to step back from day-to-day tactical marketing decision making and take a broader, more comprehensive view of the market and business situation.

2. Leverage Asset Utilization and Core Capabilities

   An important benefit to a carefully thought out marketing plan is the grater utilization of existing assets, business and marketing systems, and unique capabilities.

3. Focused Marketing Strategy

   A good marketing plan will delineate target customers such that positioning strategy can be customized around the needs of target segment, and the marketing effort directed at these target customers.

4. Resource Allocation

   A well defined target market focus is also more cost efficient.

5. Market Productivity

6. Performance Roadmap

   A good marketing plan also provides a roadmap for both marketing strategy and expected performance. A marketing plan is a roadmap that is intended to:

   - Clarify the condition within which a business operates.
   - Identify roadblocks that can prevent reaching desired objectives.
   - Develop a strategy that addresses roadblocks to achieve target objectives.
   - Determine resources needed to support strategies in order to reach objectives.
   - Establish a schedule from which to assess progress toward target objectives.

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2.5.2. The Stages of Developing Marketing Plan

A good marketing plan is the result of a systematic process that is designed to uncover market opportunities and threats that need to be addressed in order to achieve performance objectives. This process starts with a very broad strategic view of the market, from which a strategic market objective and performance objectives must be specified in terms of changes. (Roger J. Best, 1997, p. 346)

1. Step I – Strategic Market Objective

   The primary purpose of a marketing plan is to provide a strategic direction from which to set performance objectives and guide the development of a marketing strategy. This is an important first step in the market planning process since it requires a careful examination of market attractiveness and the business's competitive position in a particular market.

2. Step II – Situation Analysis

   Each strategic market objective outlines a specific strategic direction based on the market attractiveness and competitive position unique to that market. However, to develop a marketing plan to accomplish a given set of strategic market objectives, we need to go deeper into the market with respect to understanding customer needs, competition, and sales and channel system, as well as business positioning, margins, and profitability. The best place to start the situation analysis is with market demand. Recognizing a good opportunity for growth, the next step would be to more closely examine customer needs and customer perceptions of how a business performs in meeting those needs.

3. Step III – Key Performance Issues

   The most difficult and elusive part of a marketing plan is identification of key performance issues. The purpose of the situation analysis is to thoroughly explore external market conditions, competitive position, and internal performance metrics in order to uncover key performance issues. A key performance

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issue is a problem or unaddressed opportunity that is the underlying cause that limits market or financial performance. Because the key issues will be the primary guideline to marketing strategy development and resource allocation, it is important that these issues be prioritized in order of their performance impact.

4. Step IV – Marketing Strategy Development

   While the overall marketing strategy to hold, grow, selectively focus, harvest, enter, or exit a market position is set by the strategic market objective, more specific tactical marketing strategies need to be developed for each of the key performance issues. Specific marketing strategies developed will be only as good as the key performance issues uncovered as an output of the situation analysis.

5. Step V – Resource Allocation and Marketing Budget

   Each marketing strategy must be adequately resourced if it is to have a chance to succeed. When the new resources required are added to the existing base, a total budget for marketing plan can be systematically derived. This “bottom-up” approach to setting the marketing budget is directly tied to specific marketing strategies and key performance issues. Deviation from the resources allocated should be reconciled with the resulting impact on performance.

6. Step VI – Performance Metrics and Impact of Marketing Plans

   The last phase in the development of a marketing plan is an assessment of how the marketing strategy will impact performance metrics over a given timeline. The market metrics are often leading indicators of the marketing plan’s success while the financial metrics measure the degree of that success. The degree to which these estimates of projected performance are credible is directly related to the credibility of the key performance issues, marketing strategies, and resource allocations made to support specific marketing strategies.

According to Kotler, the marketing plan consist of analyzing marketing opportunities, researching and selecting target markets, designing marketing

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strategies, planning marketing programs, and organizing, implementing, and controlling the marketing effort. (Kotler, 2003, p.112)

There are 7 guidelines for contents in marketing plan, there are :

1. Executive summary and table of contents: the marketing plan should open with a brief summary of the main goals and recommendations. A table of contents should follow the executive summary.
2. Current marketing situation: this section presents relevant background data on sales, costs, profits, the market, competitors, channels, and the forces in the macroenvironement. This information is used to carry out on a SWOT.
3. Opportunity and issue analysis: here, management reviews the main opportunities found in the SWOT analysis and identifies the key issues likely to affect the organization's attainment of its objectives.
4. Objective: the product manager outlines the plan's major financial and marketing goals, expressed in sales volume, market share, profit, and other relevant terms.
5. Marketing strategy: the product manager defines target segments, namely, those groups and needs the market offerings are intended to satisfy. The manager then establishes the product line's competitive positioning.
6. Action programs: the marketing plan must specify the actual marketing programs, derived from the marketing strategy, to be used in achieving the business objectives.
7. Financial projections: action plan allows the product manager to build a supporting budget. On the revenue side, this budget shows the forecasted sales volume in units and value. On the expense side, it shows the expected cost of production, distribution, and marketing.
8. Implementations controls: the last section outlines the controls for monitoring and adjusting implementation of the plan.

2.6. Designing Marketing Communications Programs to Re Launch Brand Extension

In deciding how to best promote their products, marketing managers must decide which promotional tools to use and with whom they wish to communicate. These decision, must consider the objectives the marketer has in mind, as well as the merits of and costs entailed in using different tools in the promotion mix. In making these decisions, the marketer is developing a promotional, or an integrated marketing communication (IMC) plan (Mullins, 2006, p. 332).

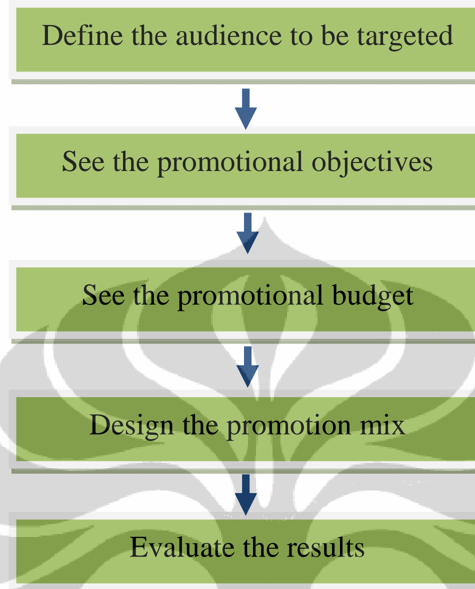
The principal tools from which marketers can choose in developing an IMC plan, compromising the promotion mix are :

- Advertising – Any paid form nonpersonal (i.e., through some medium, such as television, print, direct mail, or email) presentation and promotion of ideas, goods, or services by an identified sponsor.
- Personal selling – A process of helping and persuading one or more prospects to purchase a good or services or to act on any idea through the use of an oral presentation (person-to-person communication)
- Sales Promotion – Incentives designed to stimulate the purchase or sale of a product, usually in short term.
- Public Relation – Nonpaid, nonpersonal stimulation of demand for a product, service, or business unit by planting significant news about it or a favorable presentation of it in the media.

There are many factors to consider in developing an effective promotion, or marketing communications, program, whether goods or services. These include objectives the marketer has in mind, the characteristic and decision processes of the target market the communication is intended to reach, and the available budget. In addition the product's positioning, its competitors' promotional strategies, the distribution channels through which it be sold, the products' stage in the product life cycle, and the merits of the various elements of the promotion mix must be considered. The marketer's challenge is to develop a budget that will accomplish the promotional objectives and distribute that budget across the elements of the promotion mix in the most effective and

efficient manner. To do so, marketers should follow a five step process like that outlined in Figure 2.3.

Exhibit 2-3 Decision Sequence for Developing The Promotion Mix



Source: Mullins et.al. , 2006, p.334)

1. Define the Audience to be Targeted

   Segmentation decisions are especially important to the marketing communications effort because they identify who the target market is, so those planning the communications effort can identify the best ways to reach the target customers.

2. Set the Promotional Objectives

   Having clearly identified the target audience for the marketing communication being planned, the marketer's next job is to decide exactly what the communication is supposed to accomplish, in measurable terms. Appropriate promotional objectives, should follow the SMART acronym : specific, measurable, attainable, relevant and time-bound. Thus good promotional objectives should include four key elements :

   - A statement defining target audience.

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- A statement of how some specific aspect of the audience's perceptions, attitudes, or behavior should change.
- A statement of how quickly such a change is expected to occur
- And a statement of the degree of change required

3. Set the Promotion Budget

There are number of ways to prepare the promotion budget, most of which work from the top down. The budget setting methods most commonly used are discussed briefly below.

a. The Percentage-of-Sales method is the most common. The procedure consists of setting this year's budget as a percentage of this year's anticipated sales
b. The Comparitive-parity method sets the relative level of promotional spending equal to firm's market share or larger if an attempt is being made to increase share.
c. The objective and task method is the method avoids most of the flaws inherent in the top-down budgeting approaches, it is the best one – though the most difficult to use.

4. Design the Promotion Mix

Designing the promotion mix is itself a three step process.

- First, marketers decide which promotion components to use : advertising, personal selling, sales promotion, and/or public relations.
- Second, they choose the specific activities within each component. In advertising, this involves considering such media as TV, radio, newspapers, or magazines. A consumer sales promotion could consist of coupons, free samples, or premiums.
- Third, within each activity they must decide which specific vehicle to employ : for example, in advertising, this might require selecting a TV or radio program.

In marketing goods, especially consumer goods, when advertising dominates, the idea is to communicate with the consumer and encourage him

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or her to pull the product through the distribution channel, by demanding that the channel stock the product. This strategy is called a **pull strategy.** Major consumer goods marketers typically use pull strategies. For consumer goods when personal selling dominates, the marketer attempts to convince channel members to stock the product, so consumer will din it at their local stores, this so called **push strategy.** Similar consumer goods marketers who lack the budgets to pursue pull strategies typically use push strategies.

Different elements in the promotion mix may be called on to meet different objectives. For example : advertising may be asked to develop awareness and brand recognition, the Internet may be used to build contact list. Even when the strategic conditions and communications tasks face by a firm favor the allocation of substantial promotional resources to the salesforce, the specific marketing objectives that salespeople are asked to pursue vary widely across firms facing different market and competitive situations. A company's sales personnel might be asked to focus on one or more of the following objectives :

- Winning acceptance of new products by exiting consumer
- Developing new customers for exiting products
- Maintaining the loyalty of current customers by providing good service
- Facilitating future sales by providing technical services to potential consumers.
- Facilitating future sales by communicating product information to potential customers or influencers
- Gathering market information

As important part of designing the promotion mix is creating the messages to be communicated to the target audience. Preparing a successful message is difficult, if only because of countless ways in which it can be constructed. Yet the payoffs from good messages are substantial.

5. Evaluate the Results

This step involves finding out whether the objectives of the promotional activity have been met, often via marketing research. For example, in advertising a new consumer product, after the promotional campaign had run

for a designated period the company could conduct a telephone survey to determine whether the objective of generating a certain level of awareness among members of the target audience had been achieved. Further the survey could determine what percent had tried the brand and of those how many had bought it two or more times. In this way management could obtain information about the relationship of trial to awareness.