**Branding Basics Definitions**

MARKETING:

“Marketing is a battle of Perceptions.”

Ref. 1, Pg. 22

“Marketing is a game of mental warfare. It’s a battle of perceptions, not products or services.”

Example: FedX as the “Overnight” Company.

Ref. 1, Pg. 78

“History teaches that the only thing that works in marketing is the single, bold stroke.” Example: GM’s middle market dominance defeated by the Japanese.

Ref. 1, Pg. 93

“Marketing: The business activities that affect the distribution and sales of goods and services from producer

to consumer; including product or service development, pricing, packaging, advertising, merchandising, and

distribution.”

Ref. 2, Pg. 108

“Marketing: process associated with promoting for sale goods or services. The classic components of

marketing are the Four Ps: product, price, place and promotion -- the selection and development of the

PRODUCT, determination of PRICE, selection and design of distribution channels (PLACE), and all aspects

of generating and enhancing demand for the product, including advertising (PROMOTION)”

Ref. 3, Pg. 327

PERCEPTION:

“Perception: The ability of the human mind to receive sensory impressions and give them meaningful

interconnections and interpretations.”

Ref. 2, Pg. 138

POSITIONING:

“...You have to narrow the focus in order to build a position in the prospect’s mind.” Example: Sears

Ref. 1, Pg. 74

“Position: The consumer perception of a product’s or service’s benefits in comparison to it’s competition,

which the advertiser attempts to create and encourage as part of its marketing strategy.”

Ref. 2, Pg. 144

“Position: marketing strategy that attempts to control the perception of a product or service relative to

competitive products or services. For example: A particular brand of perfume is positioned, by the advertiser

as the most expensive perfume in the world. And a computer company positions itself as the most reliable,

service-oriented company. Marketers attempt to control their position in the market as part of a total

marketing strategy. The seller of the expensive perfume is employing a strategy that will cream the

highest-price buyers off the top of the market. The computer company’s positioning supports a strategy that is

geared toward risk-averse buyers willing to pay extra for peace of mind. However, as computers become

more commonplace the sense of risk is reduced and the computer company will have to reevaluate it’s

positioning strategy.”

Ref. 3, Pg. 409

“Successful positioning can only be achieved by adopting a customer perspective and by understanding

how customers perceive products in the class and how they attach importance to particular attributes.”

Ref. 6, Pg. 79

“Positioning is the process whereby information about the organization or product is communicated in such a

way that the object is perceived by the consumer/stakeholder to be differentiated from the competition, to

occupy a particular space in the market.”

Ref. 6, Pg. 239

“Positioning is not about the product but what the buyer thinks about the product or organization.”

“This perspective was originally proposed in the early 1970s by Ries and Trout (1972). They said that it is not

what you do to a product that matters, it is what you do to the mind of the prospect that is important. They set

out three stages of development, the product era, the image era and the positioning era... The product era

occurred in the late 1950s and early 1960s and existed when each product was promoted in an environment

where there was little competition... The image era that followed was spawned by companies with

established images, who introduced new me-too products against the original brand... The positioning era

has developed mainly because of the increasing competitive market conditions where there is now little

compositional, material or even structural difference between products within each class.”

Ref. 6, Pg. 240

“The position an organization takes in the mind of consumers may be the only means of differentiating one

product from another... Therefore, it is important to position organizations as brands in the minds of actual

and potential customers.”

Ref. 6, Pg. 241

“Three basic approaches to positioning... 1) Primary: being first to adopt and sustain a particular position

consistently. [VW first to claim reliability] 2) Singular: buyers are asked to identify with the unique features or

the greater performance that a product offers, in comparison to competing products. [Duracell – “Nothing

looks like it or lasts like it.” Infiniti – “If you owned one you’d understand.”] 3) Emotional: overt performance is

not appropriate to create visibility for a product or where all rational claims have already been taken by the

competition. The position is based on buyers wanting to BE associated with the product or the corporate

brand.” [Heinz - "The one you love."]

Ref. 6, Pg. 245

ADVERTISING:

“Advertise: to attempt to persuade people to voluntarily produce a behavior pattern (such as purchasing a

product)..."

“Advertising: The process of calling the public’s attention to the availability of goods, services, or causes.”

Ref. 2, Pg. 4

“Advertising is the nonpersonal communication of information, usually paid for and usually persuasive in

nature, about products (goods and services) or ideas by identified sponsors through various media.”

Ref. 5, Pg. 6

“Advertising is a corporate activity that is managed on a day-to-day basis to influence the thoughts and

actions of consumers.”

Ref. 4, Pg. 68

“... the actual effects of advertising on sales and profits are usually unpredictable.”

Ref. 4, Pg. 68

What is it that advertising accomplishes...? The simple answer is that it enhances the value of the brand that

it presents to the public... in four interrelated way:

1) Advertising can make the consumer aware of the brand.

2) Advertising makes the brand seem different from its competitors.

3) Value added by advertising works directly upon the consumer -- the value is created in the private

interaction between advertisement and recipient.

4) “... the product may be sold for a higher and more stable price than if a consumer perceives it to be no

different from the products with which it competes.”

Ref. 4, Pgs. 69, 70, 71

IDENTITY:

“Identity: The planned visual elements -- name, logo, or symbol -- in varied applications that are used to

distinguish one corporation [product, brand, or service-line] from all others; a visual statement of who or what

a corporation [product, brand or service] is.”

Ref. 2, Pg. 86

“Image: the combined impact on an observer of all the planned (and unplanned) visual and verbal

components generated by the corporation [product, brand or service] or by outside influences; all the

elements that influence how a corporation [product, brand or service] is perceived by its various target

publics or by even a single customer.”

Ref. 2, Pg. 86

“Image: Illusory conception created by advertising and projected by the media, that embodies emotions,

perceptions, attitudes, and intellectual orientation group toward an entity.”

Ref. 3, Pg. 268

BRANDING:

Brand Family Definitions

Ref. 3, Pg. 67

BRAND

Identifying mark, symbol, word(s), or combination of same that separates one company’s product or services

from another firm’s. Brand is a comprehensive term that includes all brand names and trademarks.

BRAND ASSOCIATION

Degree to which a particular BRAND is associated with the general product category in the mind of the

consumer (share of mind) . Often a consumer will ask for a product by the specific brand name rather than

the general name - for example, a person wanting facial tissue may ask for Kleenex. When this happens the

consumer is making a brand association.

BRAND ATTITUDE

Opinion of consumers toward a product determined through market research. The BRAND ATTITUDE will tell

what people think about a product or services, whether the product answers a consumer need, and just how

much the product is wanted by the consumer. Knowledge of brand attitude is very helpful in planning an

advertising campaign.

BRAND AWARENESS

Having knowledge of the existence of a brand. Because brand awareness is considered the first step in the

sale, the primary goal of some advertising campaigns is simply to make the target market aware that a

particular brand exists. Often, this effort alone will sell the product (or service).

BRAND CATEGORY

Generic classification of products or services. Similar and competing products (or services) all fall into the

same brand category. For example, all the different perfumes fall into the same category of perfume because

they all satisfy the same consumer need.

BRAND DEVELOPMENT

Measure of the infiltration of a product’s sales, usually per thousand population. If 100 people out of 1,000

buy a product, the product has a brand development of 10.

BRAND EXTENSION

Addition of a new product to an already established line of products under the same brand name. Brand

extension allows the new product the benefit of the older product’s established reputation. For example, at its

introduction to the marketplace, Ivory Shampoo already enjoyed the reputation of Ivory Soap, "the clean,

pure soap." In addition, if consumers considered the brand name Ivory to mean a trusted product, they would

already consider the new shampoo in a favorable light.

BRAND FRANCHISE

Arrangement between a brand name manufacturer and a wholesaler or retailer that gives the wholesaler or

retailer the exclusive right to sell the brand manufacturer’s product in a specific territory. This arrangement is

usually done by contractual agreement over a period of time. A brand franchise allows the wholesaler or

retailer to sell the product in a noncompetitive market and therefore to set price limitations as the traffic will

bear.

BRAND IMAGE

Qualities that consumers associates with a specific brand, expressed in terms of human behavior and

desires, but that also relate to price, quality, and situational use of the brand. For example, a brand such as

Mercedes Benz will conjure up a strong public image because of it’s sensory and physical characteristics as

well as its price. The image is not inherent in the brand name but is created through advertising.

BRAND LOYALTY

Degree to witch a consumer repeatedly purchases a brand. For advertisers to achieve their ultimate goal of

brand loyalty, the consumer must perceive that the brand offers the right combination of quality and price .

Many factors influence brand loyalty, such as consumer attitudes, family or peer pressure, and friendship

with the salesperson. The advertiser must consider all such factors. The degree of brand loyalty - that is the

brand’s market share - is known as the brand franchise. Brand loyalty is stronger on established products

than on new products.

BRAND MANAGER

Marketing manager for a brand; also called product manager. This person makes most of the advertising

decisions for the brand. Often in a company with many different brand name products, each product will have

a brand manager compete with the others if the products were competitive. Each may use a different

advertising agency, and each will have a separate advertising budget. This system is advantageous for the

company because all products within the company should receive equal attention. Any problems that arise

for individual products should receive prompt responses, and advertising opportunities for the products will

be quickly seized.

BRAND NAME

That part of a brand, trademark, or service mark that can be spoken, as distinguished from an identifying

symbol. A brand name may consist of a word, letter, or group of words or letters.

BRAND PREFERENCE

Selective demand for a company’s brand rather than a product; the degree to which consumers choose one

brand over another. In an attempt to build brand preference advertising, the advertising must persuade a

target audience to consider the advantages of a brand, often by building its reputation as a long established

and trusted name in the industry. If the advertising is successful, the target customer will choose the brand

over other brands in any category.

BRAND SHARE

Amount of dollars spent by consumers on a particular brand as compared to the amount of dollars spent by

consumer on all competitive brands in the same category; figured in terms of percentages; also called market

share, share of market. Companies set marketing goals to achieve a specific brand share, and plan their

strategies to meet those goals.

BRAND SWITCHING

Consumer decision to purchase a product brand different from that previously or usually purchased. Brand

switching can be instigated by price promotions, in-store displays, superior availability, perceived

improvements or innovations in competitive brands, desire for novelty, number of available brands,

perceived risk, frequency of purchase, changes in quality, or level of satisfaction with the most recent

purchase. Brand switching is most common with products that have no great perceived variation of quality

across brands such as bottled water, dairy products, or paper towels.

“When a brand provides no more satisfaction to a consumer than does its competitors, it is a commodity. The

destiny of commodities is not determined by marketing skill -- it is determined by market price.”

Ref. 4, Pg. xiii

“Brands... are the very essence of marketing. A brand is a proprietary version of a product. A brand must

somehow be differentiated from its competition to survive. If there is a brand life cycle, it is a reflection of the

marketing efforts that are brought to bear upon the brand.”

Ref. 4, Pg. 29

“Brands are said to develop personalities and encapsulate the core values of a product. They are a strong

means by which the product can be identified, understood and appreciated.”

Ref. 6, Pg. 84

“Key factors in developing brand: 1) What the current brand image is. 2) What brand form has been identified

for the organization. 3) How the form relates to the current and future corporate strategies. 4) How the brand

is positioned in the mind of the target buyer. 5) How the brand relates to the competition. 6) How the brand

image is to be changed or reinforced.”

Ref. 6, Pg. 87

**David F. D’Alessandro**

**CEO, John Hanncock, in Brand Warfare**

“Brand is everything, the stuff you want to communicate to consumers and the stuff you communicate despite yourself. By definition, “brand” is whatever the consumer thinks of when he or she hears your company’s name.”

*“Every week, another big American brand wakes up out of a deep Rip Van Winkle sleep and finds that upstarts are shaking the ground out from under it. And the pace of change is only accelerating: Companies like eBay and Amazon.com that did not even exist a few years ago are now dominant brands in their fields.*

*“It’s no longer the biggest guy who wins, but the fastest, smartest guy with the best command of new technologies.”*

# 3 Choices

*“How do you compete in a world in which consumers have infinite knowledge and choice?*

*“You can trade in commodities and try to win on price alone, a depressing downward spiral, given the almost limitless competition most businesses face today. That’s why, in many industries, the smart commodities producers are turning their commodities into brands and commanding a premium for them. Increasingly, consumers no longer just reach for milk; they reach for Horizon Organic milk at almost twice the price. They don’t drink unbranded water from the well or from the reservoir; they drink Evian or one of hundreds of other brands of bottled water at over a dollar a bottle.*

*“If you don’t want to compete on price alone, you can, of course, try to win on product features or service. But technology makes it unlikely that you’ll offer anything that can’t be copied by your competitors in record time.*

*“Or you can join the battle of the brands. In that case, everything you once thought was important – margins, service, information systems, and even the products you sell – will have to become subservient to the brand. Because no matter how well you do these other things, consumers will never notice if there isn’t an appealing brand out in front whistling for their attention.*

# Consumer Demand Choice and Objectivity

*“In 1999, John Hancock faced a key decision: Spend $100 million upgrading johnhancock.com as an e-commerce site or partner with the online insurance aggregators that have sprung up in recent years and put our capital to other uses. We decided at that point that we would be far better off forming alliances with high-tech partners who would do the selling for us. It has turned out to be a great decision. WE are routinely the number-one brand on the biggest insurance aggregator sites, Quicken and Quotesmith. By 2000, we were selling 60 percent of our term-life policies on-line.”*

*“But we haven’t limited ourselves to Quicken and Quotesmith. Rather that attempt to be clairvoyant about which sites were likely to survive in the long term, we made deals with as many Internet insurance aggregators as we could. It’s a bit like those people who give to all sides in a political race. They don’t care which candidate wins; they just want to be covered.”*

“Ultimately, John Hancock realized that its own proprietary website could never compete with the likes of Internet aggregators, because consumers increasingly demand both their choice of brands when they shop and a degree of objectivity whey they’re presented with those choices. They increasingly prefer financial supermarkets to distribution owned by a single brand, which explains the tremendous success of marketplaces like schwab.com and which is why even a great financial brand like Fidelity, which used to sell jus tit own mutual funds, now feels obligated to offer more than 300 brands of mutual funds.”

No matter how you want to slice or dice it, here is the current situation:

1. **THE MARKETPLACE** today is a globalized hyper-competitive system ruled by information-empowered consumers. It’s a speeded up, on-demand, inter-connected world with marketing strategy distilled down to “give consumers what they want before your competitors do or die.”
2. **THE ABSOLUTES.** Consumers have always wanted transactional information in order to make buying decisions and companies have always wanted consumers to have transactional information in order to make buying decisions – the only differences over time being the “delivery technology” preferred by consumers – word of mouth, newspapers, magazines, billboards, radio, television, and the Internet. Controlling the “delivery technology” preferred by consumers is a very powerful position to occupy.
3. **THE CONFLICT.** Today’s empowered consumer wants “**on-demand information, from an independent third-party source they believe,”** NOTmore ads and commercials. Consumers once obtained their transactional information from ads and commercials, but today, consumers ignore ads and commercials and get most of their transactional information, on-demand, from the Internet.

And while moving “ads and commercials” to the Internet may improve efficiency, consumer response to “interruption-based advertising” will continue to decline.

1. **THE REWARD.** The first company to establish the consumer INFORMATION BRAND that epitomizes “on-demand consumer information from an independent third-party source that consumers believe” will have the opportunity to dominate consumer transactional information worldwide for the foreseeable future.

No matter which “information delivery technology” that’s utilized, the actual “consumer transactional information” remains the same – the only difference **is** the INFORMATION BRAND that consumers prefer.

If you think providing search engine “key-word interruption-based ads and/or commercials” is effective at reaching consumers, imagine the effectiveness of providing the object of the search – the actual information the consumer is seeking.

“Information-Marketing” vs. “Advertising Marketing”

A straight-forward procedure of “decreasing consumer resistance” in order to increase the penetration and comprehension of the message. By creating a more “aerodynamic profile” for consumers by simply reducing the “drag coefficient” – and give consumers the information they want, when they want it, from an independent third-party source they believe.

So instead of “advertising-marketing” we advocate “information-marketing” – or put another way, instead of more ads and commercials that consumers ignore anyway, we advocate providing consumers with the information they want, when they want it, from an independent third-party source consumers believe.

Instead of using ads and commercials that consumers ignore, provide consumers with the information that they are seeking.

1. TV and the Internet are merely the “delivery systems” for the information that consumers want and the first “delivery systems” to establish their brands – win!
2. Controlling these “information delivery systems” is very valuable.

INFORMATION ECONOMICS – “AN IMPORTANT STRAND OF ECONOMIC RESEARCH EXPLORES THE EXTENT TO WHICH MARKETS AND OTHER INSTITUTIONS PROCESS AND CONVEY INFORMATION” Joseph E. Stiglitz, 2001 Nobel Prize Winner

George Akerlof, Michael Spence, Joseph Stiglitz win 2001 Nobel prize in Economics

INCIDENTAL EXPOSURE THEORY

CONSUMER DIRECTED RESPONSE

\*The standard theorems that underlie the presumptions that markets are efficient are no longer valid once we take into account the fact that information is costly and imperfect.

The fact that markets with imperfect information do not work perfectly provides a rationale for potential government actions.

2001 Nobel Prize for "Asymmetric Information"

George Akerlof, Michael Spence, Joseph Stiglitz win 2001 Nobel prize in Economics

Much of economic analysis assumes that markets are characterized by full information: both buyers and sellers know everything about the product they are buying or selling.

However, many markets are characterized by the fact that either the buyer or the seller has considerably more information about the product than does the person or firm on the other side of the transaction. Akerlof, Spence, and Stiglitz won the 2001 Nobel Prize for illustrating the importance of asymmetric information in various kinds of markets and situations.

(Stiglitz recently noted that it's not that economists were unaware that people had different amounts of information, it was just thought that information asymmetries were not necessarily very important. Akerlof, Spence, and Stiglitz, showed both how and why the asymmetries mattered, as well as developed important applications of the basic idea.)

Market for lemons

George Akerlof illustrated the most famous example of asymmetric information in his 1970 paper on "The Market for Lemons". The paper examined the market for used cars to illustrate the importance of informational asymmetries. The scenario is quite simple - the seller of a used car usually knows more about it than does the buyer. They know, for example, how well it runs on the highway, in the snow, when it's hot outside, etc. The buyer knows relatively little. So if a seller offers to sell the car for, say, $5,000, the buyer should be suspicious, since, if the car were worth more than 5,000, the owner would not be selling it at that price. In this case, Akerlof showed, the market may break down completely.

This general idea can be used to explain many issues in many markets. Perhaps the most important market with significant asymmetric information is the market for health care. The buyer knows much more about her health and habits than does the insurance seller. For example, a company that offers a really good (but expensive) health policy will find that only the sick (or likely to be - say the smoking, sky-diving, race car drivers of the world) will buy that kind of insurance. Only those who expect to get more from the policy than they pay in premiums will be likely to purchase, meaning that the people who buy will be less healthy, and likely to make the policy unprofitable for the firm. The consequences of asymmetric can be profound. In the extreme, markets with asymmetric information may simply cease to exist. In other cases, asymmetric information will cause the market to "behave badly" and thus create an opportunity for a government or some external organization to come in and intervene to improve the private market outcome.

# Stanford's Spence wins Nobel Prize for economics

A. Michael Spence, Philip H. Knight Professor, Emeritus, and former Dean of the Stanford Graduate School of Business, was awarded the 2001 Nobel Memorial Prize in Economic Sciences Wednesday. He shares the prestigious $1 million prize with George A. Akerlof of the University of California at Berkeley and Joseph E. Stiglitz of Columbia University.

The Royal Swedish Academy of Sciences awarded the prize for the trio's work in information economics. In the 1970s, the laureates laid the groundwork for a theory about markets with so-called "asymmetric information." Their work explained how agents with differing amounts of information affect many different kinds of markets. In its announcement, the Royal Swedish Academy of Sciences said that the winners' contributions "form the core of modern information economics." Their work has led to real world applications in areas ranging from agricultural markets to modern financial markets, according to the academy.

"The recognition the Nobel committee has bestowed on Michael Spence reaffirms our conviction that a great business school must be driven by the desire to produce original research and create knowledge that benefits society," said Stanford President John Hennessy. "Professor Spence brings great honor to that idea and great honor to Stanford. His contributions to the university ­ as teacher, scholar and dean of the business school ­ have always been on the highest order. I know I speak for the entire Stanford community when I say that we are proud to call him a colleague."

As a result of Spence's award, Stanford is now home to 16 living Nobel laureates -- 13 affiliated with the university and three affiliated with the Hoover Institution.

"We're immensely proud and very pleased that Michael's work has been recognized," said Robert Joss, dean of Stanford's Graduate School of Business. Spence is the third Nobel laureate in economics at the Graduate School of Business.

Reached in the middle of the night at his vacation home in Hawaii, Spence, 58, said, "It's wonderful. It's an incredible honor to be recognized for something that people perceive as moving the ball down the field on one's academic discipline."

Research into "asymmetric information" gave economists a way to measure such things as risks faced by a lender who lacked information about a borrower's credit worthiness. It also explored how people with inside knowledge of a technology company's financial prospects gain an edge over other investors, while people who don't fully understand a company's finances may invest unwisely. The theory also helps economists explain why the recent bubble in high-technology stocks burst.

Akerlof showed that imperfect information on the part of lenders or prospective car-buyers caused borrowers with weak repayment prospects or sellers of low-quality cars to crowd others out of the market.

Spence's work showed that under certain conditions well-informed players can improve their market outcome by "signaling" their private information to those who know less. His economic models demonstrated how information could be used to communicate a superior position. For example, an auto dealer might be able to signal he had a better car by offering a warranty. The management of a firm might use an additional tax cost of dividends to signal high profitability.

Stiglitz showed that a player with poor information can capture the information of someone with better data through "screening" such as providing choices from a menu of contracts for a transaction. Insurance companies, for example, are able to divide their clients into risk classes by offering different policies where lower premiums can be exchanged for a higher deductible. Stiglitz is the former Joan Kenney Professor of Economics at Stanford and was also a senior fellow at the Hoover Institution.

Spence, a native of Montclair, New Jersey, earned his Ph.D at Harvard in economics in 1972. He has held professorships at both Stanford Business School and Harvard and has also been dean at both universities. He served as dean of Stanford's Graduate School of Business from 1990 to 1999. After stepping down from his post as dean, he became a partner in Oak Hill Capital Partners and Oak Hill Venture Partners where he has managed a number of high technology investments. He has continued his activities at the Business School, most recently co-developing and teaching a course on e-commerce.

Spence earned his undergraduate degree in philosophy at Princeton summa cum laude and was selected for a Rhodes Scholarship. He was awarded a B.A. from Oxford in mathematics. He taught at Stanford as an associate professor of economics from 1973 to 1975 when he became professor of economics and business administration at Harvard. In 1983, he was awarded the John Kenneth Galbraith Prize for excellence in teaching and the John Bates Clark medal for a "significant contribution to economic thought and knowledge." Spence served as the Dean of the Faculty of Arts and Sciences at Harvard from 1984 until 1990.

Spence has authored three books and about 50 articles in professional journals.