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**DIRECTORATE OF DISTANCE EDUCATION**

## **Retail Branding and Strategy**

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**MBA - RETAIL MANAGEMENT**

**III Semester**

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**PAPER - XI**

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**Retail Branding and Strategy**

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**Objectives**

- To present contemporary view of the role of Brand Management
- To explore various issue related to Brand Management, and
- To develop a critical understanding of the process involved in Brand Management in retailing

**Unit – I**

Brand – Meaning – Definition – Role of Brand – Brand Positioning & Personality of a Brand

**Unit – II**

Consumer’s concept of ‘Self-Image’- Brand Proposition – Brand Name & Brand Awareness

**Unit – III**

Managing Brand Portfolio – Contemporary view of the role of Brand Management – Various issues related to Brand Management – Process involve in Building & Managing Brand in retail management

**Unit – IV**

Approaches to strategic Management – Approaches to Strategic Anaslysis of the retailing environment – Approaches to the analysis of resources – Competence and Strategic capability – Application of technique such as Value Chain Analysis & Bench Marking

## **Unit - V**

Retailing organizations – Formulation and evaluation of strategic options within retailing organizations – Mergers – Acquisition and strategic alliances involving retailers – Analysis of organization structure and design among retail organizations

### **References**

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## UNIT – I

### Unit Structure

- Lesson 1.1 - Brand Concepts
- Lesson 1.2 - Brand Positioning
- Lesson 1.3 - Personality of a Brand

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### Lesson 1.1 - Brand Concepts

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Explain the concept of brand
- Discuss the role of brand in marketing of products and services

### Introduction

Branding is a process employed by business and service organizations to create a unique identity and distinguished image for their products and services. In a competitive business world, there will be a good number of similar products offered by various organizations. As a result, consumers will have wide choice and they will be looking for information to make rational choices. In view of this, marketers use differentiation strategy, to gain the attention of the potential customer, and to create interest in them to prefer their product. The communication strategy requires brand support. It helps separate their product from the crowd of me-too products and make a favorable impact on the target customer.

In this lesson, we will try to gain an understanding of this important product differentiator and appreciate its role in marketing of products and services.

## Meaning and Definition

In the historical past, a way to tell one person's cattle from another was by means of a hot iron stamp. Accordingly, the practice of producers burning their mark (or brand) onto their products continued giving rise to the use of the word branding. The word "brand" is derived from the Old Norse *brandr* meaning "to burn".

To have better understanding of the word brand, we have to consider it along with another related word- trade mark.

A **brand** is a "Name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers."

A **trademark** is typically a name, word, phrase, logo, symbol, design, image, or a combination of these elements used by an individual, or business organization to identify that the product or service belongs legally to them. In other words, Trademarks serve to identify a particular business as the source of goods or services.

A trademark may be designated by the following symbols:

- <sup>TM</sup>(for an unregistered trademark, that is, a mark used to promote or brand goods)
- <sup>SM</sup>(for an unregistered service mark, that is, a mark used to promote or brand services)
- <sup>®</sup> (for a registered trademark)

The owner of a registered trademark can challenge those who copy it or use it as it is without his or her permission, in the court of law. Legally, he or she can prevent unauthorized use of that trademark and punish those who misuse it.

The American Marketing Association (AMA) defines a brand as 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 other sellers.

The objectives that a good brand will achieve include:

- Delivers the message clearly
- Confirms credibility of product or company
- Connects target prospects emotionally with the product or company
- Motivates the buyer to buy the product
- Concretizes user loyalty

### **History of Branding**

The Italians were among the first to use brands, in the form of watermarks on paper in the 1200s. In the field of mass-marketing, branding originated in the 19th century with the advent of packaged goods. Factories put their logo or insignia on the packages, extending the meaning of “brand” to that of trademark. In the field of arts, even the signatures on paintings of famous artists like Leonardo Da Vinci can be viewed as an early branding tool.

### **Brands that became popular**

It is the red triangle of the Bass & Company, a British brewery, and the green and gold packaging of Lyle’s Golden Syrup that have claims for being considered as the world’s first trademarks.

Campbell soup, Coca-Cola, Juicy Fruit gum, Aunt Jemima, Uncle Ben’s rice and Kellogg’s breakfast cereal became popular famous among consumer products.

### **Theoretical bases**

Around 1900, James Walter Thompson published a house advertisement that provided commercial explanation of what we now know as branding. Companies soon adopted slogans, mascots, and jingles that began to appear on radio and television.

By the 1940s, manufacturers showed interest in knowing the perceptions and attitudes of customers toward brands and this had advanced the studies on brands and their relationship with customers from social, psychological and anthropological perspectives.

During 1980s, the modern branding practices appeared and concepts like brand identity, brand personality, brand value and brand equity, were employed to discuss branding effects.

The idea that consumers buy brands not only for products but also for their own psychological and social reasons is well promoted. Naomi Klein has described this development as “brand equity mania”.

In 1988, for example, Philip Morris purchased Kraft for six times what the company was worth on paper; the premium was paid for the brand equity or value.

### **Brand vs Unbrand**

Is branding necessary? The answer is yes as well as no. Some companies sell their products without branding. It is called commodity strategy. We will now discuss the two strategies: commodity strategy and branding strategy.

### **Commodity Strategy**

The unbranded products are referred to as commodities. Commodity describes products and services that possess two features:

- (i) *Highly standardized*: The quality, size, shape and other defining features of products are same.
- (ii) *Homogeneous*: The differences between one product and another are not significant.

Examples are food grains, vegetables, fruits, edible oil, sugar, steel, and edibles. It is reported that as much as 75 per cent of the coconut oil consumed in rural households is unbranded.

When sold as commodities, the marketer can differentiate them in the following ways:

- (i) **Grading**: Those less familiar with the product cannot recognize quality and the grade specifications help them to choose the quality of their choice.
- (ii) **Retailer image**: Some consumers trust the retailer and buy the goods recommended by him or her.

The perceived risk in buying the product available in different grades (also, the fear of adulteration) is reduced by the brand promises. This is the reason why consumers are shifting to branded goods.

## Branding Strategy

Branding can be a strategy when used to gain the acceptance of consumers and secure a competitive edge. Let us examine the arguments for and against it.

### Arguments for

- 1. Provides confidence to buyers:** Consumers of all types and areas are today aspiring for quality of life as a consequence of the development schemes of government and NGOs. The literate and illiterate, the urban and rural, men and women prefer to buy branded products. Even the poor prefer branded shampoos and hair oils sold in small volume sachets. To customers, brands symbolize quality. They think the perceived risk in buying will be lower.
- 2. People are confident in buying brands like Lux, Lifebuoy, Fair& Lovely, Horlicks, Boost, Bournvita, Parachute, Navaratna, Sunsilk, Clinic plus, and Meera.**
- 3. Provides distinguishing identity:** A brand name gives identity to a company's product. It helps recognition and processing jobs easy for the company, distributors and consumers. It thus saves costs and time in manufacturing, warehousing, transporting and order processing for the company when selling. Distributors can reap similar benefits in handling the products and selling them. Consumers find it easy to spot and select the product.

People can distinguish Coca cola, Pepsi and Thumsup. Though all of them are cola drinks, they differ in packaging and taste.

- 4. Image gives competitive advantage:** Brands earn recognition and reputation by their performance. The image helps the existing products in the line as well as new products. It gives a commanding position to the marketer to charge higher prices than competitors and to convince distributors to carry the products.

Organisations interested in quality office furniture buy from Godrej. Men interested in buying quality suits buy from Raymond. Women interested in quality jewellery, buy from Tanishq.

- 5. Personality attracts consumers:** Brands in course of their association with consumers develop personalities. Advertisers take this opportunity to match the personality of brands with that of prospects. It helps build brand loyalty—a lasting companionship, a strong bondage between a brand and consumer.

Marketers create a personality for the brands they sell. Raymond talks about complete man. Fair& Lovely presents woman as an achiever. Pleasure scooty of Hero Honda asks why boys should have all the fun and presents a liberated young girl.

- 6. Enhances value:** By their popularity, brands not only enhance their value-in-use but also value-in-exchange. A company that has built brand image over a period of time by its incessant innovative efforts gets a reward for example, premium price offer for its brand from a competitor or interested entrepreneur willing to own it.
- 7. Allows buying inertia-**In industrial markets, quality, price and service are vital but in practice there is one over-riding issue which is seldom mentioned as a reason for choosing a company - that is “because we have always bought from that company”. Just consider the number of years people in industry have used the same companies as their main suppliers. It is not unusual for a supplier to have been used for five, ten or even twenty years. The buying inertia in industrial markets is still further evidence of the lack of rationality in the buying decision. In pressing home this point, we are in danger of making buyers seem unprofessional, failing in their duty to constantly check prices, delivery and quality differences between alternative suppliers. In fact, buyers are only doing what any sane and sensible person does, and that is hanging on to a good thing once they have found it. They have got to know a supplier and all their requirements are being met, so why change? Again this brings us back to branding because it is not just any supplier that is being used again and again, it is that special one - the tried and trusted brand.

## Arguments Against

1. **Category competition:** Most of the Indians are price conscious. As such, the competition is more of categories rather than brands. 70% of the population living in villages are less literate and gullible. As such, branded products are not affordable to many. The real competition is not among brands but categories.
2. **Notion of high prices:** The common notion prevalent among rural and mid income consumers is branded products are high-priced ones. As such, they shun brands.
3. **Investment-returns doubtful:** Brand building is not an easy task. It requires a great deal of long range investment. It is to be supported by R & D investment, advertising budget and dealer discounts. However, there is no assurance of returns. Many brands have failed. Many are struggling hard despite the good images they have built over a time.
4. **Image and personality are emotional nonsense:** All the talk about brand personality and image are psychological fantasies created by marketers. No product sells on brand name. Only when it fulfils a need, does it stay and succeed in the market. The image of a product or brand cannot help other brands. When a person buys the product, the overriding considerations are cost (price and operational economics) and functional benefits
5. **Brand equity is sensible but not new:** The brand equity concept replaces the old term “good will”. It is not something new to be argued in favour of a “brand”. It is the outcome of business built over a period. People trust Tata companies, Godrej, Mafatlal etc., as they were operating long since and offering reasonably good products. Customers prefer to buy from a local retailer who is known and sometimes buy on his or her recommendation.

## Role of Brands in Consumer Marketing

Brands are important in consumer market as they help customer in many ways.

- ***Simplify decisions*** – When evaluating different products offered by competitive marketers, consumers rely on brand name. Brand names

that are well known will be preferred due to the positive experience and satisfaction obtained by the use of products associated with it.

- ***Facilitates risk avoidance*** – Every consumer faces purchase risk when buying for the first time. The risk is high when buying durable goods like computers, refrigerators, air coolers and cars which require investment of significant size. In case of products in the categories of food, skin care and medicines, the risk is related to health. Lack of awareness of ingredients mix, technology behind the product and operational procedures, pose a challenge to potential buyers. Brands help consumers in making decisions, by providing assurance of quality and reliability.
- ***Provide for self expression*** – A brand is perceived as a person and consumers seek to match their personality with the personality of the brand. When the matching is agreeable, consumer prefers, purchases and patronizes the brand. Dove is shown as an honest, feminist and optimist. Hewlett Packard brands represent accomplishment, competency and influence. Fair & Lovely is associated with beauty, confidence and achievement.

In view of the aforesaid advantages, marketers create brand value and continuously make efforts to keep it relevant to consumers. Case-1 provides an illustration. We observe the following from the case

- That BAND-AID® is favourite to moms and kids – the buyers.
- It was copied. The competitors took the path of copying it to sell their products. It indicates the selling power of the brand.
- Marketers of BAND-AID® made efforts to keep it relevant and powerful.

From this the lessons for consumer marketer are:

- Brands sell
- Keeping brands relevant and attractive is a challenging task of marketers.
- The communication strategy is not simple- It should be creative and needs multi-pronged approach.

### **Case-1: Keeping Brand Relevant**

BAND-AID® has always been a favorite brand of moms and kids everywhere. However, as an iconic and widely copied brand, it is important for BAND-AID® to stay relevant, with change in times and increasing competition. BAND-AID® approached Ogilvy PR to develop a communications platform that would contemporize the brand. Ogilvy's objective for BAND-AID® was to assert brand leadership and establish relevance to today's generation of web-savvy moms and kids. They launched "stick-with-it-ness," campaign.

The central focus of the Stick With It! campaign was the creation of the first-ever Stick With It! Awards, celebrating everyday kids who have "stuck with it" in school, sports, art, and hobbies. They created a co-branded website with Nickelodeon — [stickwithitawards.com](http://stickwithitawards.com) — where kids could enter for the chance to win a vacation for four to Hollywood to experience the Nickelodeon Blast Zone™ at Universal Studios Hollywood™ and a tour of the Nickelodeon Animation Studios. To drive awareness of the Awards and encourage kids to enter, they identified 15-year old Nickelodeon star Emma Roberts (the new Nancy Drew) as the campaign spokesperson and sent her on an extensive media tour that included national media appearances, an interview with a nationally distributed wire, interviews with celebrity publications, and interviews with teen and youth writers at top-tier newspapers. A multi-media partnership with Nickelodeon, including a surround sound campaign advertised in Nickelodeon and Nick, Jr. magazines and online, further expanded the Awards' reach to moms and kids.

The campaign successfully reinforced the BAND-AID® brand's core equity while encouraging kids and parents to interact with the brand in a new, modern, and relevant way.

*Source:* <http://www.ogilvypr.com/en/case-study/band-aidreg>

### **Role of Brands in Industrial Marketing**

Branding is as appropriate for a company pressing metal pieces as it is for Pepsi Cola. It will work for a manufacturer of industrial hose just as it does for Honda. In fact, branding is working already for industrial companies like Tata Steel and Asian Paints.

### **Brand Offers Multiple Benefits**

Many industrial companies have customers they have supplied for years. These loyal customers buy more than products; they buy trust, friendship, reliability and any number of other intangibles which have a value. Few buyers would change their supplier just because someone knocks on their door offering the same goods for 10 per cent less. The premium which a product enjoys over and above its commodity price is directly attributable to the benefits the customer believes they obtain as a result of buying from that company. That difference lies in branding.

### **Brand Building Goes Beyond Personal Relationships**

By setting out to build a brand based on many values, and by having a vision for the brand that makes sure the right values are communicated, a company can reduce the value of personal relationships and the threat caused by departing sales people. The brand can be much bigger and stronger than just the relationship between buyer and supplier.

Many industrial companies recognize that their customers value personal relationships and as a result put 90% of their resources behind their sales force. An old adage is “sell yourself first, then your company, then your product”. This has its advantages as there is nothing like personal relationships for creating bonds. Bill Atkinson, the manager of a road haulage operation in Derby operated a fleet of Volvo trucks and was asked why he chose this particular make. He reflected for a while and then replied “I don’t buy Volvo, I buy the dealer.” As great as Volvo trucks are, the dealer had done a better job at selling himself. It was the dealer who got up from his Christmas dinner to drop off an urgent part and it was the dealer who drove miles on a dark winter evening to get a truck moving. It was the dealer with whom Bill Atkinson spoke every day and it was the dealer who became his friend. The relationship was such that if the dealer changed his franchise, Bill Atkinson may well have thought about changing his allegiance to Volvo. In this case, the brand had been overshadowed and the business had been left vulnerable to any changes in the dealership.

There is no denying that the sales force plays a vital role in business to business marketing, but there are many other values that could be

developed and built into a brand. For example, a supplier of photocopiers could concentrate its marketing efforts only on the sales force but in so doing it would put its business at risk if a salesperson leaves or is promoted. However, if the photocopy supplier takes the time and trouble to reinforce its brand by reminding the customer of its many services, the gap left by a salesperson will not be such a large one to fill. The technical support is still there, there is trust that invoicing will remain accurate and if there are any problems, a swift resolution will be received.

### **Role of Branding in Services Marketing**

Services like health care, transport, communication, education and training have emerged as important segments of business in India. Brand names like Appolo, Air India, Airtel, and NIIT have become leading service providers in India.

Product branding is easier than service branding because it is easier to achieve congruence between advertising message and product experience. The reasons are two:

1. Advertising claims are derived from the product itself
2. Product quality is not variable,

As such, what consumers expect from the product based on its advertising is what they will experience when they buy the product. This congruence means that it is far easier for product brands to build consumer trust and confidence..

On the other hand, services are different from products in two respects – (i) intangible. (ii) Variable. They are experienced only at the various points of delivery, in real time, as they are being delivered. There is also significant variability in service delivery that a customer experiences even from the same service provider at various points in time.

As such claims in advertising may or may not be met-service may exceed them or fall short.

Brands are built by experience and word of mouth advertising. Perceptions of service differentials are built more through actual experience. Service marketers have to create at each point of service

delivery markers that highlight the brand differentiators. These markers when noted remembered and talked about by consumers build perceptual differences between service brands. Thus the task of service branding is the very opposite of product branding.

In the Kingfisher vs. Jet instance, the King of Good Times brand concept of Kingfisher has been translated into a number of tangible differentiators at all stages of service delivery. From referring to passengers as guests to greeting passengers upon entry to the airport and carrying their luggage, from the glamorous red uniforms of the stewardesses to the in-flight entertainment, there are markers to be noted, remembered and talked about. There is far greater variability in service delivery creating mismatch between advertising claims and actual service experience.

This leads a number of service brands to focus on broad emotional theme led communication which don't make any specific claims related to service quality. As with products, the expectation is that such advertising will build salience and affinity for the service brand, but the ROI of such investment for a service brand will certainly be far lower than for a product brand.

While advertising is relevant and can be helpful for service brands, there are many powerful services brands that have been built with little or no investment in advertising. Starbucks and Google immediately come to mind. This is because, service brands are best built bottom up –leveraging experiential differentiators rather than top down, via advertising campaigns.

### **Top Indian Brands**

According to the survey conducted by Nielsen, the largest of its kind in India, with a design sample of 8,160 for the 'Trusted Brands' - distributed across socio-economic classifications, age, income and geography, the following are the top 20 brands in India.

#### **1. Colgate**

Colgate offers trusted Oral Care products and expert information to keep your smile bright, beautiful and healthy. It works closely with

thousands of small shop owners and local wholesalers to ensure greater availability of its products everywhere. The brand belongs to Colgate – Palmolive Company. Colgate began in New York City early in the 19th century. Now more than 200 years later, it is a truly global company serving hundreds of millions of consumers worldwide.

## 2. Lux

Lux started as “Sunlight Flakes” laundry soap in 1899. In 1924, it became the first mass market toilet soap in the world. The range now includes shower gels, bath creams, hair care products such as shampoos, conditioners and treatments. It is noted as a brand that pioneered female celebrity endorsements. The brand was founded by the Lever Brothers (today known as Unilever) in 1899. In India Hindustan Unilever Limited produces and markets Lux branded products.

## 3. Airtel

Airtel is the No. 1 mobile services brand. Bharti Airtel Limited, commonly known as Airtel, is an Indian telecommunications company that operates in 20 countries. It operates a GSM network in all countries, providing 2G, 3G and 4G services. Airtel is the fifth largest telecom provider in the world with over 243.336 million customers across 20 countries as of March 2012. It has over 183.3 million subscribers at the end of May 2012.

## 4. Lifebuoy

Lifebuoy has evolved from a simple ‘germ kill’ proposition to ‘being free from fear’ of disease and to help build a healthy nation. Lifebuoy is one of Unilever’s oldest brands, a brand that was truly ‘global’ before the term ‘global brand’ was invented. Lifebuoy Royal Disinfectant Soap was launched in 1894 as an affordable new product in the UK, to support people in their quest for better personal hygiene. Soon after launch,

Lifebuoy soap travelled across the world, reaching countries such as India, Consistent in Lifebuoy’s 110+ year history has been its championing of health through hygiene.

Today Lifebuoy is mainly sold in Asia and parts of Africa. It is market leader in every Asian market where it is sold. Lifebuoy soap has been proven in laboratories to provide 100% more effective germ protection than ordinary soaps. To date, 70 million people in rural India along have experienced the pioneering, Lifebuoy sponsored Health Education programme – the single largest private hygiene education programme in the world

## 5. Nokia

**Nokia Corporation** is a multinational communications corporation headquartered in Finland. Its principal products are mobile electronic devices, mobile phones and other communications devices. It also offers Internet services such as applications, music, maps and messaging maps, and free-of-charge digital map information and navigation services.

It was the world's largest vendor of mobile phones from 1998 to 2012. However over the past five years it has suffered declining market share as a result of the growing use of smart phones, principally the Apple iPhone and devices running on Google's Android platform.

## 6. Dettol

In India, Dettol was first launched by Reckitt Benckiser India Ltd in 1933. Dettol has become the generic name for the liquid antiseptic products category and enjoys 85% market share in the segment. The brand today is present in various segments such as soaps, hand wash, shaving creams and plasters. The brand is endorsed by the Indian Medical Association and has consistently been voted as one of India's Most Trusted Brands.

## 7. Britannia

Britannia Industries Limited is an Indian food-products corporation set up in 1892 in Kolkata in India. It is famous for its *Britannia* and *Tiger* brands of biscuit, which are popular throughout the country. Britannia has an estimated 38% market share. It has in its stable various brands like Tiger, Marie Gold, Nutri Choice, Time Pass, Milk Bikis, 50-50, Good day, Bourbon, and Treat.

## 8. Vodafone

Racal Strategic Radio Ltd British company, set up in 1984 became a multinational company Vodafone Group Plc. The name Vodafone comes from voice data fone, chosen by the company to “reflect the provision of voice and data services over mobile phones. It is the world’s largest one measured by both subscribers and revenues.

## 9. Maggi

A Maggi 2-minute noodle is one of the most loved food brands in India. Over the years Nestle has launched many flavours of this brand. Maggi is a Nestle brand of instant soups, stocks, bouillon, cubes, ketchups, sauces, seasonings, and instant noodles. The original company came into existence in 1872 in Switzerland when Julius Maggi took over his father’s mill. He quickly became a pioneer of industrial food production, aiming to improve the nutritional intake of worker families.

By the turn of the century, Maggi & Company was producing not only powdered soups, but also bouillon cubes, sauces and flavorings. Maggi merged with Nestlé in 1947. Nestle is a Swiss company founded by Henri Nestle in 1866. It sells over a billion product everyday across the world.

## 10. Closeup

Closeup was India’s first gel toothpaste launched in 1980. HUL has marketed Closeup as being synonymous with ‘Freshness’. The brand has always had a youthful communication, one that has always been unique and fun; using music, song and dance to get its message across. It is aimed at every person who is young at heart.

## 11. Coca-Cola

Coca cola originated as a soda fountain beverage in 1886 selling for five cents a glass. On May 8, 1886, a pharmacist named Dr. John Pemberton carried a jug of Coca-Cola® syrup to Jacobs’ Pharmacy in downtown Atlanta, where it was mixed with carbonated water and sold for five cents

a glass. From humble beginnings 125 years ago, the Company has evolved from one product — Coca-Cola — to more than 500 brands in 2011. It has grown from selling a modest 9 drinks a day in 1886 to 1.8 billion a day. It expanded from one city in one country to availability in more than 200 countries around the world.

## 12. Fair & Lovely

Developed in 1975, Fair & Lovely is marketed as a fairness cream. HUL claims that Fair & Lovely is its largest skin-brand. The fairness cream brand was developed by Hindustan Lever Ltd (now Hindustan Unilever Ltd) in 1975. The product was then marketed nationally in 1978. According to industry estimates, Fair and Lovely holds 80% market share in the at least Rs1,000 crore by sales Indian fairness cream market. In 1988, the brand went international, and is now available in 40 countries.

## 13. Tata Salt

Tata Salt was launched in 1983 as was marketed as the first national brand of packaged salt in India. The brand is now the biggest packaged salt brand in India with a market share of 17%. Tata Salt is amongst the few vacuum evaporated brands on the market. The brand is currently packaged in 500g, 1 kg and 2 kg sizes with the 1 kg size being the most popular.

## 14. Clinic Plus

HUL markets shampoo brand Clinic Plus was launched in 1964. At the time of launch it was a beauty cosmetic shampoo and later it was changed to be a anti- dandruff shampoo. For most Indians, the first interaction with shampoos has been Clinic Plus. Over time, it has evolved to keep in step with the changing needs of consumers by constantly renovating its offering to make sure it is the best solution for the eternal desire of having long hair for both mom and daughters.

## 15. Sunsilk

Hair care brand Sunsilk was launched in 1964 and Unilever claims the sales of this brand is more than \$1 billion a year. Sunsilk

shampoos, conditioners and other hair care products are sold in 69 countries worldwide. It is now considered the world's leading company in hair conditioning and the second largest in shampoo. Sunsilk is sold under a variety of different names in markets around the world including Elidor, Seda and Sedal.

## 16. Thums Up

Thums Up was launched in 1977 by Parle Agro Ltd. In 1993 Coca-Cola re-entered India after a prolonged absence from 1977 to 1993 and bought, Thums Up for US\$60 million, though it had a 85% market share. Thums Up is known for its strong, fizzy taste and its confident, mature and uniquely masculine attitude. This brand clearly seeks to separate the men from the boys.

## 17. Vicks

Vicks provides effective relief for cough, nasal congestion, sore throat, runny nose, fever, and related symptoms in children and adults. Vicks Brand was launched in India in 1951. It was manufactured by Vicks Products Ltd. Later in 1964, Richardson Hindustan Ltd was formed to manufacture the product. In 1985 RHL became the affiliate of P&G. In 1989 RHL became P&G hygiene and health care.

Vicks in India is known for its VapoRub and cough drops. Globally Vicks brand is worth around 3000 crores. Vicks vaporub is the market leader in this segment with a share of 50%. Vaporub was initially targeted at children but later the company found out that it is used mostly by adults. Vicks Vaporub is positioned along Mother's Love platform

## 18. Pond's

Pond's was invented in 1846 and is produced by the Ponds Institute which is owned by Unilever. The company claims that Pond's helps in simplifying skin care. HUL is the market leader in the `3,500-crore skin care segment, controlling over half the market with popular mass brands such as Fair & Lovely and Vaseline. Over the past three years, it has made efforts to flood the market with more innovative and premium products such as Ponds anti-ageing and Vaseline whitening range.

## 19. Mirinda

Mirinda is owned by Pepsi Co and is primarily commercialized outside North America. It competes with Fanta of Coca Cola. Mirinda is a brand of soft drink originally created in Spain but with global distribution. The word Mirinda means “admirable, wonderful” in Esperanto. In India, Mirinda Orange was launched in 1991 and Mirinda Lemon was launched in 1998. In 2012, Mirinda has introduced two limited edition Orangey options - Orange Mango and Orange Masala. While Orange Mango is the perfect mix of the sweet candy taste of mango flavor and the tanginess of original Mirinda Orange; Orange Masala tickles the taste buds with a hint of fruit masala flavor added to the Mirinda Orange.

## 20. Bournvita

Bournvita, previously called Bourn-vita, is the name of a brand of malted drinks sold in Europe and North America, as well as India, Nigeria, Ghana, South Africa, Benin and Togo, and manufactured by Cadbury Plc.. *Cadbury Bournvita* is among the oldest brands in the malt food category with a rich heritage and has always been known to provide the best nutrition to aid growth and all round development. Launched in 1948, throughout its history, *Cadbury Bournvita* has continuously re-invented itself in terms of product, packaging, promotion and distribution. The Cadbury lineage and rich brand heritage has helped the brand maintain its leadership position and image over the last 60 years.

### World's Top Brands

As many as six Indian brands including - Tata, Airtel, State Bank of India, Reliance, Indian Oil Corporation and Infosys - have been named amongst world's 500 best brands in 2012 by global consultancy firm 'Brand Finance'. Tata is the only Indian brand making it to the top 50, as per the latest ranking.

Tata has improved its ranking in the coveted list from 50 in 2011 to 44 this year. Its brand value has also increased to \$16.3 billion this year from \$15.8 billion a year ago. Amid falling demand in western economies and rising commodity prices, high level of diversification in Tata business portfolio has meant that the group has been able to generate revenues in

numerous areas. Historically, Tata's brand equity has always been very strong with the group having been regarded as one of the world's most reputable organizations for a number of decades.

The list was topped by technology giant Apple which replaced internet major Google and emerged as the most valuable brand with a brand valuation of \$70.60 billion. Apple improved its position significantly over last year's ranking of 8th.

Among brands in India, while Tata, Airtel and Infosys have improved their positions, State Bank of India, Reliance Industries and state-owned Indian Oil Corporation slipped from their last year's rankings. Airtel with a brand value of \$5.22 billion was ranked 186th this year (284 in 2011, brand value of \$3.68 billion) and Infosys with a brand value of \$3.62 billion climbed to 296 position (381 in 2011, brand value of \$2.90 billion). State Bank of India slipped to 218th slot (from 171 in 2011), Reliance to 235 (from 133 in 2011) and Indian Oil Corporation to 292 (from 234 in 2011).

However, the number of Indian brands in the top 500 has declined from nine last year to six, as Bharat Petroleum Corporation Ltd, Wipro Technologies and ICICI Bank dropped out of the ranking. Other than Apple and Google, the top ten global brands include Microsoft at the third position with a brand value of \$45.8 billion, followed by IBM, Walmart, Samsung, GE, Coca Cola, Vodafone and Amazon.

## **Future of Branding**

The future of branding will be not only bright but also challenging. The following views explain the future trends in branding.

### **1. Global Branding**

Marketers in India will catch up with the rest of the world, and adopt a global mindset. The mantra "think global; act local" will be extended to "brand global; market local. They seek to evolve brands that would have universal trust, appeal and a single-minded vision. Marketing programs that support the brands will respect local culture and global fashions.

## **2. Customer Centric**

In the emerging marketplace the individual consumer will be in a position of total power. The new age marketing strategies will strengthen the bond between brands and the people who buy and use them. Research methods that help reach consumers by identifying what they care about and why, how they think, shop and behave.

## **3. Brand Strategy Becomes Corporate Strategy**

With the customer so firmly in charge of everything from communication to transactions, the boardroom will catch up to the idea that every single thing done or said in a company that markets products is about the brand. Today, brand strategy is something controlled by and cared about by a marketing department. Tomorrow, brand strategy will be what the CEO talks about first. Every CEO of every consumer brand company will respect the emotional and intellectual connection between people and brands.

## **4. Media will Become Decisive**

Direct communication will continue to grow in importance, and the media will join right in. Media will be customized and personalized. The more retailing becomes on –line, the importance of direct communication increases. As there will be more of internet usage, people would like to have a look at printed versions too. As such the communication media will be relying both on traditional and web sources. However, web sources will gain upper hand in the years to come.

## **5. Public Relations Becomes a Total Brand Building Discipline**

In future, public relations encompasses everything companies do to build relationships with their publics. As companies are known by brands, the focus will be on developing brand images and equity. Every brand will have its own position, role, status and image in the society.

## **6. Companies will Appoint Brand Champions**

Marketers will learn how to integrate brand communications themselves instead of asking advertising agencies or brand consultants to do it just because advertising and consultancy costs

will be more. To gain cost advantage, companies rely on their own marketing staff and appoint brand champions. The use of brand consultants will increase but efforts will be made to reduce reliance on them.

There will be a myriad of other changes, in addition to the. The winners will be those who embrace the new systems, strategies and opportunities without getting caught up in them. Building a good reputation –for brands or firms continues to be the central focus. People admire brands and businesses with good reputations; they believe in and are loyal to brands they trust. The smartest marketers know that no matter what else changes, that never will.

## Summary

Branding is a process employed by business and service organizations to create a unique identity and distinguished image for their products and services. A brand is a “Name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers.” In the field of mass-marketing, branding originated in the 19th century with the advent of packaged goods. Campbell soup, Coca-Cola, Juicy Fruit gum, Aunt Jemima, Uncle Ben’s rice and Kellogg’s breakfast cereal became popular famous among consumer products.

Marketers have two strategies: commodity strategy and branding strategy. Commodity describes products and services those possess two features: highly standardized and homogeneous. Examples are food grains, vegetables, fruits, edible oil, sugar, steel, and edibles.

Branding is important because it provides confidence to buyers, provides distinguishing identity, and its image gives competitive advantage. Its personality attracts consumers, enhances value and allows buying inertia. The arguments against include: there is category competition; brand signifies high prices, returns on brand building investment is doubtful, image and personality are emotional nonsense, and brand equity is sensible but not new. Branding is important in consumer market for it simplifies decisions, facilitates risk, and provides for self expression

Branding is as appropriate for a company pressing metal pieces as it is for Pepsi Cola.

Many industrial companies have customers they have supplied for years. By setting out to build a brand based on many values, and by having a vision for the brand that makes sure the right values are communicated, a company can reduce the value of personal relationships and the threat caused by departing sales people.

Services like health care, transport, communication, education and training have emerged as important segments of business in India. Brand names like Appolo, Air India, Airtel, and NIIT have become leading service providers in India. Services brands are built by experiences and word of mouth communication as they are intangible and variable.

The future of branding will not only be bright but also challenging. There will be global, customer centric approach to branding. Brand strategy becomes corporate strategy and media, public relations and brand champions will be working for brands.

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## Lesson 1.2 - Brand Positioning

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### Learning Objectives

*After studying the lesson, you will be able to*

- Explain the concept of brand positioning
- Discuss how positioning statement or strategy can be developed
- Examine different positioning strategies

### Introduction

In marketing, positioning has come to mean the process by which marketers try to create an image or identity in the minds of their target market for its product or brand or organization. Every time customers experience your brand, you want them to remember what the brand is for, why it is important to them, and why it is unique in comparison with competitive brands. By developing a clear expression of what is *important to your customers* and *unique in the brand* —and reinforcing it with every customer interaction — you will help your customers make buying choices with ease and confidence.

### Concept

Positioning is a concept in marketing which was first introduced by Jack Trout and then popularized by Al Ries and Jack Trout in their bestseller book “Positioning - The Battle for Your Mind.” (McGraw-Hill, New York, 1981).

The target market and the perceived differentiation from competitors are core concepts of positioning. Positioning is something (perception) that happens in the minds of the target market. It is the aggregate perception the market has of a particular company, product or service in relation to their perceptions of the competitors in the same category.

Although there are different definitions of brand positioning, probably the most common is as given under:

“Identifying a market niche for a brand, product or service utilizing traditional marketing placement strategies (i.e. price, promotion, distribution, packaging, and competition)’.

Rao & Steckel (1998) define a brand’s positioning as the relative perception of it within a significant group of customers.

As suggested by Kapferer (2004), brand positioning task is to give the answers to the four questions: a) “a brand for what”; b) “a brand for whom”; c) “a brand for when”; and, d) “a brand against whom”.

According to Kumar (2007), brand positioning is the fundamental concept in brand’s strategy that helps in finding a niche in the minds of the target segment.

Positioning is the way by which the marketers create an impression in the customers mind. It is a process of finding a place for a brand in the mind of customers relative to the brands of competitors. Naturally, the idea is to gain the top of the mind position for first recall and consideration in purchase.

### **Importance**

A company, a product or a brand must have positioning concept in order to survive in the competitive marketplace. The brand identity and positioning is central to developing strong customer base and brand equity.

**Own Identity-** If you don’t position your business, you will be one among the crowd in the competitive market place. Positioning is all about finding the right path to create a significant and unique place amidst a crowd of different competing brands.

**Crux of strategy -** Positioning is the very crux of marketing strategy and proper positioning is the right potion for successful marketing management. Positioning will happen whether or not a company’s

management is proactive, reactive or passive about the on-going process of evolving a position. But a company can positively influence the perceptions through enlightened strategic actions.

**Competitive advantage** - Brand positioning is a strategic approach to establishing a sustainable competitive advantage. Wikipedia defines competitive advantage as “the strategic advantage one business entity has over its rival entities within its competitive industry. Achieving competitive advantage strengthens and positions a business better within the business environment

**Image** - Product positioning is a crucial decision that a marketer needs to implement to establish a distinctive and strong image of its product/brand as against its competitors, in the mind of the target consumer. Very often, a product fails because of wrong positioning. ” In volatile markets, it can be necessary - even urgent - to reposition a company, product line or brand.

When Goldman Sachs and Morgan Stanley suddenly shifted from investment to commercial banks, for example, the expectations of investors, employees, clients and regulators all needed to shift, and each company needed to influence how these perceptions changed. Doing so involves repositioning the entire firm. In India, IDBI (Industrial Development Bank of India) repositioned it as a commercial bank. Dabur India Ltd. a pharma company in the year 2001 repositioned it as a FMCG firm of India. Philips, is globally repositioning itself as a “**health and well-being company**” from the earlier “**sense & simplicity**”. The idea is to emerge from being yet another TV manufacturer into product segments that are closely focused on improving living through innovations.

### **Brand Positioning Process**

The process of brand positioning involves basically two steps:

- (i) Developing brand positioning statement and
- (ii) Communicating it to the target customer groups.

By defining a brand positioning statement for your business, you can focus on your best customers, help them understand what you

offer more easily, and create a consistent brand that they will remember. Developing a positioning statement involves four steps:

1. Identify target customers and describe them
2. Examine competition and identify differences
3. Explain your greatest benefit
4. Evolve brand positioning statement

### **1. Describe Target Customers**

Marketing starts with knowing customer needs and wants and ends with satisfying them. The following questions are pertinent in this context of knowing them.

- Who are the prospective buyers?
- What are their needs and wants?
- What are their demographics?
- What are their attitudes and life styles?
- Where do they use the product and for what purpose?
- What is common among the prospective buyer group members and what is different?

They sound like easy questions, but they deserve some serious thought. Develop answers and determine how can you describe this group in three or four words. Your goal is to create the *broadest* description of your target audience possible, while simultaneously keeping it narrow enough to be relevant.

Some good examples of broad descriptions with a defined focus are “business travelers,” “small business owners,” “farmers,” “Youth” and “housewives”.

When you’ve established who it is you’ll be talking to and what they have in common, you can start to define what’s *important* to them.

## 2. Know Your Differences

Every business, product, or service has competition.. Blu-Ray discs compete with DVDs — and once upon a time, DVDs had to compete with VCRs. We tend to think of things in terms of what we already know and understand. Blu-Ray and DVD didn't have to redefine home entertainment altogether, just the technologies that were currently available. VCRs, of course, were “like tape recorders, but for TV”.

Even if you are introducing something completely new, you still have to compete with the “old way” of doing things.

- Distance education has to compete with class room learning
- Mobile communication has to compete with land lines.

For many businesses, defining this category is simple — a plumbing company competes with other plumbing companies, and law firms compete with other law firms.

Consider, when there are three management institutes in a town, how do students make choices. They make a comparison of the three institutes based on some desirable features like location, cost of education, faculty competences, library, laboratory, learning methods, pass percentage and placements. If there is one institution which provides 100% placement and others do not, that institution will have unique advantage. It can get preference, by making placement claims.

Sometimes it is difficult to define the features also. In today's world, many businesses are based online, and offer services that aren't easy to understand on their own. So it's important to frame what you do in terms that people can understand based on what they already know.

For example, if I were to explain Twitter to a friend, I would say, “It's like a blog that is limited to 140 characters.” By saying, “It's like a blog,” I have explained it in terms many people can understand, but I have far less to explain that way. Who do you compete with? When you've figured out how to describe what it is you do (in terms of your competitors), it will be easier to explain how you're different and more beneficial.

### 3. Explain Your Greatest Benefit

Now comes the hard part. Hard because, you are going to make a promise and have to commit yourself to keep it up. If you make a promise and fail to keep it, it will ruin your business.

Based on the understanding of who your customers are and which companies or products they have in their consideration list for comparison, you focus on telling how you're not only different, but *better*.

What can you deliver with excellence that your competition can't touch?

This is often the promise at the core of your brand — a commitment to service, or quality, or safety, or having fun, or saving money.

There may be several things that make you different, but people will only remember one, so choose the best one: the thing that is most important to your most important customers. If you offer guaranteed overnight delivery service, it will be hard to compete as the cheapest delivery service as well. People will eventually discover your other qualities, but build your brand around the very best thing you always provide, no matter what, and you will not let them down. Now you're ready to put everything together and build a brand positioning statement.

### 4. Evolve Positioning Statement With Unique Selling Proposition

When you've figured out what you do, who you do it for, and how you're different, it's time to put it all together into a sentence that states this concisely. This can be structured as "For (target audience), (company name) offers (competitive frame of reference) that provides (greatest competitive advantage).

For example, *Web Marketing Today's* brand positioning statement might be, "For small businesspeople, *Web Marketing Today* is an online information resource that offers weekly Web marketing advice from experts." With that in mind, *Web Marketing Today* can focus everything it does around delivering this promise with excellence.

## Communicating to Customers

Positioning should help employees create windows of meaning customers will open, personalize and tell others they too should do the same. It is here communication has a big role to play. Having developed your brand positioning statement, you should make effort to develop consistent communications and plan customer experiences to support it.

## Brand Positioning Strategies

A major objective of any brand positioning strategy is to reinforce positive image already held by the target audience, correct negative images, or create a new image. A marketer can adopt from different strategies like leveraging on existing brands, leveraging on corporate name, product features and benefits, price-quality positioning, competitive positioning, product category positioning and user positioning.

*Leveraging on existing brands' strategy* - Marketers may use the brand name which is well established in the mind of the consumers, for extending the product line or venturing into another product category.

*Corporate brand positioning strategy*: Here the marketer uses his company name/identity for brand extensions.

*Product features and benefits positioning strategy*: This positioning strategy is implemented by differentiating the brand from its competitors on the basis of its features and benefits offered. This is known as Unique Selling Proposition or USP.

Consumer have preferences for certain characteristics (or attributes) of products. Each product is a bundle of attributes. Understanding why a consumer chooses a product based upon its attributes helps us to understand why some consumers have preferences for specific brand.

Often brands cluster two to three related benefits for positioning their product. Consider the following examples.

- Ariel offers a specific benefit of cleaning even the dirtiest of clothes because of the micro cleaning system in the product.

- Colgate offers benefits of preventing cavity and fresh breath. Promise, Balsara's toothpaste, could break Colgate's stronghold by being the first to claim that it contained clove, which differentiated it from the leader.
- Maruti Suzuki offers benefits of maximum fuel efficiency and safety over its competitors.
- Domino promises that every pizza delivered will be fresh because they do not start making it until customer call to order." Our hands do not move until you tell them to". Another promise is quick delivery. Delivery in 30 minutes. Thus it is associated with quick delivery of fresh and quality pizza.

**Price-quality positioning strategy-** The price quality relationship is employed to occupy a distinct position in the mind of consumer. A marketer can choose one of the following options

- *High price -High quality:* Often the price of the product is kept high owing to its high quality and the product is positioned in a way that the super quality of the product justifies its high price. This is very true in the case of designer perfumes, watches, fancy cars and designer clothes.
- *Value for money -* Here positioning is done by focusing on the affordable/low price of the product and its superior quality. Here the consumer experiences a feel good factor since he's obtaining a quality product at an economical price. We find this positioning in case of shampoos, cosmetics, beverages, and instant food items.

**Competitive positioning strategy:** This is a very effective offensive strategy where the marketer seeks to persuade the consumer that his product/brand is superior or at par with an established competitor. For instance, the television commercials of Dettol show that it would give you more protection, than the others.

**Product category positioning strategy:** This strategy is used when an existing product category is too congested and the new brand is positioned as belonging to another product category.

**User positioning strategy:** Products can be positioned according to their user bases. For instance, beer marketers often position their products as light and strong beers. Again Kellogg's has cornflakes for cereal users, weight- watchers and kids.

**Case: Airtel Digital TV** - Airtel digital TV Started operation in 2008 with the slogan "Come Home To The Magic". The major players in the category are 1)Dish TV 2)Tata Sky 3)DD Direct Plus 4)Big TV 5) Airtel Digital TV (IPTV) 6) Sun direct, with Videocon planning to enter. Deciding the positioning strategy was challenging as there was stiff competition.. The rivalry between Dish TV and Tata Sky had already brought rates to a competitive level with Tata Sky having an edge over Dish TV with respect to add ons and innovative offers. On the other hand DD direct plus was mainly a bundle of Prasar Bharti channels and other free to air channels with nothing big on platter. This is where Big TV capitalised by positioning itself as the "entertainment specialist."

Now with major 'spaces' occupied by major players it didn't make sense for Bharti to introduce a new name, and the Bharti name wasn't strong enough to lend the necessary credibility. As such using airtel name made sense because "Airtel" was already established as a strong, sophisticated "upmarket" lifestyle brand. Moreover the extension of Airtel from telecom to DTH could happen seamlessly because of the related nature of the two industries.

The synergies arising from common distribution and sales would have also prompted the company to adopt the Airtel brand name. The brand tried to make a departure from the features laden positioning that was typical with the industry to a more emotion driven one, and it becomes apparent in the metaphors used in the communication and product design. Also the base technology was positioned as superior to competition (it is based on IPTV not DTV platform). The technology helps it to offer broadband and interactive channels in its basket of offerings.

## **Brand Repositioning**

Repositioning is a challenging concept. It involves engaging customers in an unlearning and learning process.

- **Unlearning** - It requires the marketer's to first of all make the customer's come out of an already preset mindset which they have formed over years because of the previous continuous efforts of marketer's itself to find a space in the minds of consumers.
- **Learning**- Then the company has to work hard to form an altogether new image so that the customer's start recognizing the new image from the very next day.

The process is not easy but this is where the role of the successful and intellectual marketers comes and they have been through years successfully fulfilling even this task of gigantic proportions successfully

- Airtel's brand identity has changed twice in the last two decades through the change in logos twice in this decade itself,
- TATA's had to undergo a makeover to appeal to the younger and more knowledgeable generation
- Vodafone changed the positioning that Hutch had developed in the minds of Indian consumers by associating their journey with the small dog who got promoted to the celebrity level status in India, by completely changing the focus of its ads from that concept to totally new concepts like Zoo Zoo's, and other ads.

### **Repositioning by LG**

South Korea-based LG Electronics had globally repositioned the LG brand identity. With the theme of 'Harmony of smart technology in stylish design to fit into' it repositioned its products in India. It had invested Rs 380 crore in repositioning the LG brand in India.

The plan of action included:

- Upgrading 100 brand shops with new retail brand identities of LG in India in order to reflect new identities and to give a premium shopping experience to its customers.
- Communication reflecting brand identity and flagship products at brand shops, which is consistent to LG's new brand identity.
- A consistent product roadmap in delivering the new brand identity. This is to make sure that execution translates into communication.

## **Repositioning by Cadbury India**

Cadbury India's use of repositioning concept to make the chocolates once considered to be a product to be consumed by the kids, to a product that now-a-days has become a part of our day to day lives.

### **Old Position –Kids**

In its initial years Cadbury's chocolates were meant basically for the kids and the ads also revolved around that concept only in which parent's were seen trying to bribe or reward their children with Cadbury's dairy milk chocolates for getting them to do the things that they wanted them to do.

### **Reasons for Change**

Cadbury India's plans to reposition were not initiated because it had to beat its competitor's as at that time Cadbury was already the market leader in chocolate confectionary market, but it was a proactive step that Cadbury's took as at that moment the sales of Cadbury's were increasing but at a slow pace and the segment at that time to which the chocolates were being targeted was not so big to provide a more faster growth. It was felt that depending on just the kids as a market was a bit risky and Cadbury shifted the focus from kids to the adults.

### **Repositioning Strategy**

But this was a big challenge as in Indian market not many adults were thought to be consumers of chocolate.

1. "Kid in all of us" campaign started the change process. A grandfather is shown playing with his grandson helping make bubbles out of a tube after immersing in the soap filled water, a mother playing with her daughter, a young adult trying roller skates along with a young kid, and a pregnant lady demanding a chocolate from her husband saying that the kid in her womb also wants it.
2. 'Real Taste of Life' campaign. A girl was shown breaking the security barriers and entering the cricket field to celebrate the

victory of the country in the cricket match under the tag line “Kuch Khaas Hai Zindagi mein”. This campaign went on to be awarded ‘The Campaign of the Century’, in India at the Abby (Ad Club, Mumbai) awards.

3. Another campaign tried to tell people that chocolates can be had anytime through the ad campaign, “Khaane Waalon Ko Khaane Ka Bahana Chahiye”. That meant that people who want to have a chocolate can find any reason to have one and no particular occasion is required to wait for consuming the chocolates. This campaign showed that even the adults could have chocolates and this was showcased by showing collective and shared moments among themselves. This campaign took the previous ad campaign even further which showed that adults could go to any lengths to get their own bar of chocolate. In this ad Cyrus Broacha is shown selling Cadbury’s Dairy Milk chocolate on the street and people are giving their reasons for why they eat Cadbury’s Dairy Milk Chocolate.
4. After this came ad campaign i.e. “Kuch Meetha Ho jaye”. The message was clear that when anytime you feel that you are happy and want to celebrate then you can have Cadbury’s Dairy Milk to celebrate the occasion. Amitabh Bachan was used as the celebrity endorser in this ad showcasing that these moments are meant to be celebrated and so go on and celebrate them with Cadbury’s Dairy Milk.
5. Then the campaign using the line “Pappu Paas Ho gaya” became a street buzz and got huge success and in this campaign also Amitabh Bachan was used as the Brand Ambassador for the brand to spread the message that “Jab Pappu paas ho jaye to kuch meetha ho jaye”.
6. To appeal to the rural consumers an ad under the Kuch meetha ho jaye campaign itself was launched under the “Radha Miss Palampur ban gaye and combining it with Rs 5”. The ad showcased a rural setup and people celebrate the occasion of Radha (a Cow) winning the title of Miss Palampur and the a small package was introduced with the price tag of ` 5 which was considered affordable for rural consumers.
7. To associate more with the working class Indian population an ad with the tagline” Meetha hai Khaana aaj pehli tarrekha hai was launched”. This was a very strategically crafted as in India most of

the working class gets its salary on the first day of every month and so this ad gave those people to celebrate that day with something meetha i.e. Cadbury's Dairy Milk.

8. Then they decided to target the Festival occasions in India through the ad campaign "Is Diwali aap kisse khush kar rahe hain". This was important as in India people are very fond of having mithai's on festivals for having something sweet on the festival occasions, and the mithai market by some estimates is almost Rs 15,000-Rs 20,000 crore in size and a large part of this market is unorganized. And when compared to this market the chocolate market is merely a fraction of the larger mithai market.
9. In an interesting ad that supported this showed post men. The post men of an area find out that even though it was the occasion of Diwali, there are no celebrations going on. They play a trick and post the letters to different addresses intentionally and then people after opening the letters get to know of plans of different families and then come out of homes to share these happy moments with others. This way they start celebrating and start giving chocolates to each other to celebrate this occasion.
10. Then came the ad showing brother giving his sister a packet of chocolates on the occasion of Raksha Bandhan in return for her tying up rakhi, as this is a tradition in India on the occasion of Raksha Bandhan.
11. After this came the ad for Cadbury's dairy Milk silk chocolate range in which in the ads it is shown that people are willing to give even the important things in their life a miss to have a bite of this rich and full of taste Chocolate.
12. Now the campaign "Shubh Aarambh", In India there is a tradition to have something sweet before beginning something good and pious. In the first ad of this series a boy is shown asking a girl to give her a bite of her chocolate as her mother has said that to begin something good one must start by having something sweet, and after getting the bite tells her that the good thing was that he wanted to drop the girl home.

The repositioning catapulted Cadbury's sales to newer heights and gave the brand a presence in almost every segment of market.

### **Pepsi: in Search of Identify**

In USA, Pepsi has lost its place to become No.3 soda, just behind Diet coke. Though carbonated soft drink category is growing in other markets, it has been on the decline for the last seven years in US, according to Beverage Digest. Brad Jackerman, President-Global enjoyment and chief creative officer. He prepared a road map for returning Pepsi to pop culture relevance, growing sales and creating a cohesive design system and invigorating employees. He discussed the differences and common points between Pepsi and Coke. He observed that Pepsi ads in the past, were inconsistent and lacked discipline. He said:

“We did not have an enduring piece of brand language, we just attached different things to the logo all the time.” Taglines have varied widely even in just the past few years. From “Every Pepsi Refreshes the World” to “Summer Time is Pepsi Time” to “Where There's Pepsi, There's Music. Brand Pepsi needs a big integrated campaign that can run for several years. Research was undertaken on a big scale. There were exhaustive focus groups, in-home ethnographies, qualitative and quantitative studies, and cultural immersions in different markets across the globe. The Pepsi user is psycho-graphically very similar across the world, so it can have a global positioning..

Coke, Mr. Jakeman said, represents happiness and moments of joy, while it protects culture and maintains the status quo. Pepsi, on the other hand, creates culture and embraces individuality. For Pepsi loyalists, leading an exciting life is much more important than leading a happy one, Mr. Jakeman said.

Those insights led Pepsi to embrace a brand positioning to “capture the excitement of now,” and the campaign that has been developed carries the tagline, “Live for Now.”

## Types of Repositioning

After examining the repositioning exercises of different firms, Moorthi (2002) identified nine repositioning strategies given in Table.

### Repositioning Strategies

S.No	Strategy	Examples
1	Increasing relevance to the consumer	Visa card was positioned as a global card by giving message: 'Pay the way the world does'. Later it was positioned as "world's most preferred card" Later to highlight services it was changed to: visa power".
2	Increasing occasions for use	Burnol is positioned as an antiseptic ointment for burns Later it was positioned for 3-1 for burns,,gashes and cuts.
3	Search for viable position	Hero Puch was positioned as a fuel economy vehicle- 90km/litre. Later it was positioned as a vehicle with economy with pick up.
4	Making the brand serious	Saffola was positioned as an oil good for heart. To make it serious, the pitch-"Heart is not safe without Saffola" was adopted.
5	Falling sales	Ambassador vehicle which was presented as a rugged road master was repositioned as a family car, to increase its sales.
6	Bringing in new customers	Margo was positioned on health platform and attracted adults. To attract youth, it highlighted neem benefit.
7	Making the brand contemporary	Dabur Honey is positioned on' purity. Later it was positioned on nutrition and health.
8	Differentiating from competitors	Mint O was positioned as an adult candy. When Polo was positioned as "the mint with the hole", Mint O positioned itself as "All mint, No hole". One of the advertisements asked: "when your head does not have a hole, why should a mint?"
9	Changed market conditions	Complan was originally a convalescent drink. Several repositionings saw its emergence as a health drink.

## Evaluation

Brand positioning must make sure that:

- Is it unique / distinctive vs. competitors?
- Is it significant and encouraging to the niche market?
- Is it appropriate to all major geographic markets and businesses?
- Is the proposition validated with unique, appropriate and original products?
- Is it sustainable - can it be delivered constantly across all points of contact with the consumer?
- Is it helpful for organization to achieve its financial goals?
- Is it able to support and boost up the organization?

There are various positioning errors, such as-

1. **Under positioning-** This is a scenario in which the customer's have a blurred and unclear idea of the brand.
2. **Over positioning-** This is a scenario in which the customers have too limited a awareness of the brand.
3. **Confused positioning-** This is a scenario in which the customers have a confused opinion of the brand.
4. **Double Positioning-** This is a scenario in which customers do not accept the claims of a brand.

## Summary

In marketing, positioning has come to mean the process by which marketers try to create an image or identity in the minds of their target market for its product or brand or organization. Positioning is a concept popularized by Al Ries and Jack Trout

As suggested by Kapferer (2004), brand positioning task is to give the answers to the four questions: a) "a brand for what"; b) "a brand for whom"; c) "a brand for when"; and, d) "a brand against whom". The brand identity and positioning is central to developing strong customer base

and brand equity. Developing a positioning statement involves four steps: Identifying target customers and describe them, Examining competition and identifying differences, Explaining your greatest benefit and Evolving brand positioning statement. Communication helps employees create windows of meaning and tell others they too should do the same.

A marketer can adopt from different strategies like leveraging on existing brands, leveraging on corporate name, product features and benefits, price-quality positioning, competitive positioning, product category positioning and user positioning.

Repositioning is a challenging concept. It involves engaging customers in an unlearning and learning process.

After examining the repositioning exercises of different firms, Moorthi (2002) identified nine repositioning strategies: (i) Increasing relevance to the consumer, (ii) Increasing occasions for use, (iii) Search for viable position, (iv) Making the brand serious, (v) Falling sales, (vi) Bringing in new customers, (vii) Making the brand contemporary (viii) Differentiating from competitors and (ix) Changed market conditions.

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## Lesson 1.3 - Personality of a Brand

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### Learning Objectives

*After studying the lesson, you will be able to.*

- Explain the concept of brand personality
- Discuss the types of personality that brands project
- Examine strategies for developing and communicating brand personality

### Introduction

Marketers have found that consumers buy brands that are similar to them in respect of demographic and psychographic factors. This awareness has led to the concept of brand personality. Developing brand personality that matches the prospects has become a challenging task. Brand personality identification, development and communication have become crucial part of marketing today. As such, an understanding of the concept of brand personality and ways to develop personality for brands that connect products with customers is important to retail marketers.

### Concept

Brand personality is nothing but personification of brand. People personify things. That's what we do. We personify pets, cars and boats all the time. We assign human-like attributes to essentially anything with a name — people, places, things, and yes, even products and companies. We rely most often on the one analogy we understand best: what it means to be human.

A brand's personality is formally defined as “a set of human characteristics associated with the name of a product, service or company”. So, quite literally, brand personality attributes are “brand adjectives.” For example, Marlboro is associated as a “masculine” brand, while Virginia

Slims is seen as “feminine.” IBM is seen as “older,” while Apple is perceived as “younger.” Indeed, Apple is almost known entirely for its brand personality attributes — innovative, stylish, intuitive, cool, casual, easy-going and friendly.

In general, strong brands possess the following personality attributes:

- Trustworthy
- Authentic
- Reliable (“I can always count on [brand]!”)
- Admirable
- Appealing
- Honest
- Likable
- Popular
- Unique
- Believable
- Relevant
- Delivers high quality, well performing products and services
- Service-orientate
- Innovative

Brand personality is created by marketers through brand name, packaging and advertising communications. The personality is usually communicated in seven to nine adjectives describing the brand as if it were a person.

Dove is presented as honest, feminist and optimist. Infosys represents uniqueness, value and intellectualism. Hewlett Packard brand represents accomplishment, competency and influence. To make it easy, marketers may employ brand ambassadors. Cine actors endorse Lux. It is shown as a beautiful woman. Doctors endorse Life buoy hand wash and Dettol to present them as healthy and efficient persons.

In service organizations, the role of employees becomes an important factor in communicating the brand’s personality. This is why companies are increasingly recruiting, training, and managing their employees to manifest their brands’ promises.

## **Importance**

Brand personality has gained significance for various reasons mentioned here.

**Identification** - It is important for a brand to have a unique personality without which it might otherwise go unnoticed. Given the commercial-clutter and brand proliferation, unless a brand has an enduring personality, it cannot sustain. Consumers find it easy to deal with brands that have strong personalities because it is easier to remember them.

**Image** - Joseph Plummer, a former research director of Young & Rubicam, indicated that there are three components to a brand image: attributes, consequences, and brand personality. The task of creating a brand image often needs to move beyond attributes or feelings, to include the ultimate consequences of product use and the relationship of product use to people's life-styles, needs, and values. If the brand acquires "charisma", its charismatic personality will enchant customers. Worldwide, Lux has the aura of "the cine-star's soap". This aura of aspiration and achievement makes it irresistible. Marlboro's macho image is part of its legendary charisma.

**Brand equity** - The longer-term, advantage to building a distinctive brand personality is it can enhance. Brand value. A brand personality is something to which the consumer can relate, and an effective brand will increase its brand equity by having a consistent set of traits. This is the added-value that a brand gains, aside from its functional benefits.

If advertising is not simply to be a short-term expense, but a longer-term investment, a brand's advertising should not merely lead to immediate sales but should also lead to the long-term enhancement of the brand's "equity" or "goodwill." Companies that create advertising which enhance such brand equity treat the value of a brand (or brand name) as an asset, much like a bank deposit. Advertising that creates or reinforces a brand's personality serves to increase the asset value of that brand; advertising that lacks such character serves to depreciate this asset value.

**Brand engagement** - A positioning strategy that focuses only on attributes or feelings can be shallow and less effective than one that is

based on a richer knowledge of the customer. Brand personality is seen as a valuable factor in increasing brand engagement and brand attachment, in much the same way as people relate and bind to other people.

Brand personality is important to the consumer for a rather different set of reasons. Knowingly or unknowingly, consumers regard their possessions as part of themselves; people acquire or reinforce their sense of self, their identities, in part through the goods they buy and what these material goods symbolise, both to themselves and to others they come into contact with and care about. What is “me” depends, in part, on what is “mine”; we define who we are not only by our physical bodies and our occupations, but also by our possessions (such as the watch we wear). That is why a loss of material possessions-such as in a robbery or a natural disaster-leaves us feeling as if a “part of us” is gone. Of course, the extent to which we “invest ourselves” in products and brands varies: more, for example, in automobiles and clothing, less (perhaps) in the brand of paper towel we buy.

It is also plausible to suggest that individuals in society define their self-worth in terms of material possessions and their symbolic associations, their “social value.” Further, in such an “outer-directed” society our sense of belonging to peer and other groups can depend significantly on a sense (and display) of shared brand ownership. We use our possessions not only to define ourselves as individuals, but also to define which groups we belong to-and do not belong to.

As part of this “self-defining” process, consumers select those brands that have a brand personality that is congruent with their own self-concept. That is, a consumer who does not think of himself as “flashy” is likely to feel uncomfortable in a car that is extremely attention grabbing and different from the norm; there is a lack of congruency in such a situation. In one study, it was found that automobile consumers sought out cars whose product image was similar to their own image, on various personality attributes (such as exciting/dull). Importantly, there is some evidence that the type of congruency that is important in such brand choice is not that between a brand’s personality and a consumer’s actual personality but rather that between a brand’s personality and a consumer’s “ideal” or “aspirational” personality, though the evidence on this is not unequivocal.

## Dimensions of Personality

The concept of brand personality combines inside-out and outside-in; identity and image.

A personality has its roots in the identity but is strongly externally focused. A person will behave differently in different situations. In marketing you will try to project brand personalities that best fit specific target segments/markets.

For marketing, personality is: what you are and how others will perceive you and then **become who you should be**. Thus it is important to work with the target market (include them) in developing an effective, working brand personality. In psychology, three elements are defined as a part of personality:

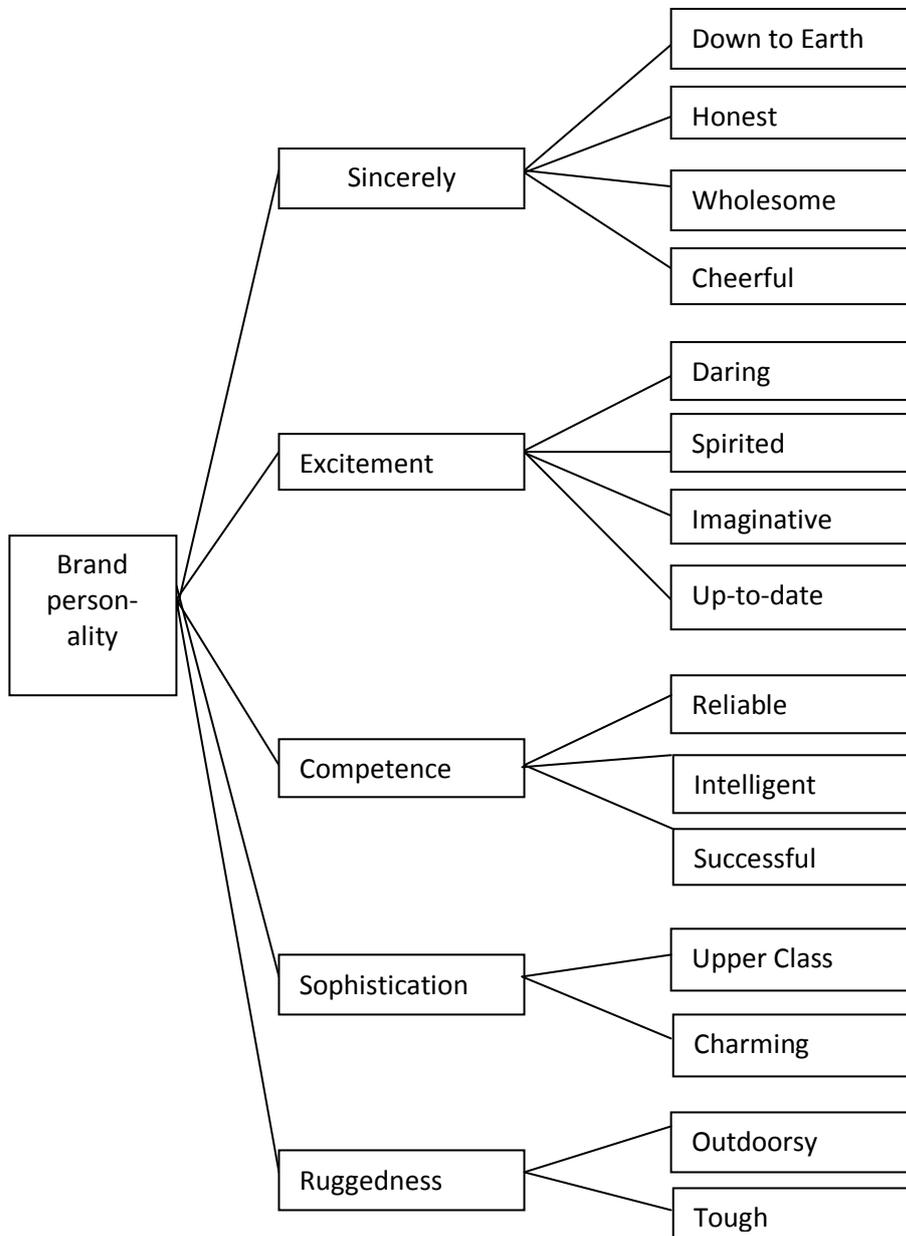
1. Private personality (thoughts, feelings, fantasies, ambitions, talents)
2. Public personality (how you want others to see you)
3. Attributed personality (how others see you)

The private personality overlaps identity; the public and attributed personalities indicate the external aim and nature of personality. What often matters more than the specific personality attributed to a brand is the question of whether a brand has any clear personality at all.

A brand that over the years acquires a distinctive, well-known personality becomes like an “old friend;” consumers feel familiar and comfortable with it, it offers a sense of security and reassurance, and most consumers would rather pick it up rather than a newer brand from which they feel more psychologically distant.

One of the reasons that market-leading brands tend to stay that way (is that they acquire this “good friend” personality. However, such a personality can also become a liability, if the brand slowly becomes perceived as being old fashioned and out of step with the times, and consumers (at least a sizable segment of them) begin to prefer a more contemporary, new-and-different brand. It becomes vital in such situations to “contemporize” and “freshen” the brand personality over the years.

Dr. Jennifer Aaker (1997) in her paper Dimensions of Brand personality has identified five dimensions of brand personality. Figure shows the brand personality developed by the dimensions.



**Brand personality scale**

*Excerpted from David Aaker's Building Strong Brands, The Free Press, NY, 1996* Scoring brand personality on these dimensions revealed that Campbell and Kodak are high on sincerity; Levi, Marlboro and Nike on ruggedness. These factors and sub factors of course help in fashioning a brand's personality.

## Finding Brand Personality

Aaker suggests three approaches to develop brand personality, namely:

- Self-expression
- Relationship
- Functional benefit

*Self-expression* can be seen as the motive behind the consumption of certain products and services. For instance, young people prefer to ride Yamaha bike in India because it is a power-bike and because he is considered very masculine when he rides a power-bike. A Mercedes-Benz car is owned as much for its status conferring nature as to its utility. The need for self-expression is paramount in the consumption of many lifestyle products like Close-Up, Titan, Charms and Classic.

*The relationship model* fits those brands that are trusty, dependable and conservative. An example of this is Surf which is symbolized by the house wife Lalitaji. She is not flashy but she sounds competent and reliable when she says “it makes sense to buy Surf”. Parle-G, Chettinad Cement, Colgate Dental Cream, Kwality Ice-cream have a steady dependable image. Here the brands are more useful as vehicles for association or emotional links rather than self-expression.

*The functional benefit representation model* is suitable for certain product categories. For instance, the detergent powder market in india is currently looked at in a very functional manner by the housewife. This is why low price can be a powerful vehicle for signaling functionality. In fact most recent successes in the product category used price very effectively (eg. Nirma, Wheel, Ariel Supersoaker). Similarly, attributes can be used to cue functionality. Brands like Mahabar and Mahacola can signal to the consumers that the product gives more value for money than the competing brands.

A brand can also give very strong cues on its functional usefulness by the manner in which it is managed. For instance, the mascot Gattu has made Asian Paints a popular and friendly brand. Ruffles chips from their packaging to brand name send unmistakable signals about the crispness of the chip. Genius machines from WIPRO also hint to us the quality of

the machine's computing capabilities. Thus, brand personality can derive mileage from – as well as hint at – functional benefits.

Kapferer's definition of brand personality is also similar. Brand personality according to him, is the brand's character. We can identify it with a person. For instance, Peugeot is conservative, Citroen idealistic. The easy way to bestow personality on a brand is to provide it with a spokesman (Lalithaji – Surf), a star (Sharukh khan – pepsodent) or an animal (Rhino – Ceat).

Branding experts use different methods to find out an organization's personality. There is no singular "right way" and one may need to use a combination of the methods. The other approaches are:

### **Car Analogy**

Ask yourself if your organization or product was a car, what kind of car would it be? Why? Collect all particulars like the year, make, model, color, country of origin and style.

Whether it is a new model elegant Nano in attractive colours that moves through traffic elegantly or the Innova that is robust, fast, spacious and comfortable.

### **Celebrity Analogy**

If your organization/product was a famous celebrity, who would it be and why? Maybe an actor like Sahruk Khan? Or a sports icon like SachinTendulkar? Maybe someone like Mirza Sania? What traits do they possess that are shared with your organization?

### **Animal Analogy**

If your organization was an animal, what kind of animal would it be? Are you tenacious like a badger? Strong like a lion? Fast like a leopard? Nimble like a cat? Proud and keen like an eagle?

Most bankers seem to land on one animal: a dog. It's usually a cop-out. If you're going to choose a dog, at least get specific and clarify the breed. Would you pick the predictably safe Labrador Retriever? Maybe a shepherd of some sort?

### Ideal Spokes Person

If your organization could choose anyone in the world as its spokesperson, who would it be and why? Would you pick someone from your local community? A fictional character like Snoopy from the cartoon-strip *Peanuts*, as MetLife has done?

### Arche Types

This approach was popularized by Margaret Mark and Carol Pearson in their seminal book *The Hero and The Outlaw: Building Extraordinary Brands Through the Power of Archetypes*. Their system consists of two dimensions: self-focused vs. group-oriented, and order vs. change as shown in four quadrant diagram (Figure).

Arche types

<b>Order</b>	Ruler Creator Innocent	Care giver Every man Lover
<b>Change</b>	Sage Explorer champion	Jester Rebel Champion
	<b>Self focused</b>	<b>Group oriented</b>

### Human Type

Human characteristics might be demographic traits such as gender, age, socio-economic class besides subtle personality traits like warmth, concern and sentimentality. Brand personality can thus have demographic characteristics, for instance Feminine(Sunsilk) vs. Masculine(Aramusk) and old(Mysore Sandal) vs. young(Liril).

It could have psychographic characteristics like upper class(Van Heusen) vs. blue collar(Nirma Bath) and sophisticated (Esteem) vs. rugged (Tata Sumo). Young and Rubican1 conducted a study wherein respondents were asked to select from 50 personalities related words to describe a set of brands. Holiday Inn was perceived as ‘cheerful’ and Oil of Olay as ‘gentle’.

Aaker also gives the example of McCann-Erikson's study of "brand figures" wherein 50 people were asked to draw pictures of likely users of two cake mix brands "Pillsbury" and "Duncan Hines". Pillsbury users were imagined to be apron clad, grandmotherly types. Duncan Hines' purchasers were seen as slender, contemporary women.

Close your eyes and imagine your organization's brand is a real person and try to describe him or her in the following terms that occur to your mind. Make a list of adjectives commonly used to describe people's personalities and rate these attributes.

- Conservative or progressive?
- Urban or outdoorsy?
- Casual or professional?
- Funny and playful or serious?
- Big or small?
- Leader or underdog?
- Stylish and fashionable or plain and practical?
- Thrifty or affluent?
- Outspoken or reserved?
- Dynamic or stable?
- Predictable or surprising?
- Stable or fluid?

Your brand may have a number of negative personality attributes, so don't be afraid to include less flattering terms like "boring" and "inflexible." Try to get "What you're" and, not "what you wish to be".

### **Emotion – Centered Approach**

Christine Restall of McCann Erikson found an emotional link between the consumer and the brand. They argued that it is because of an emotional predisposition that people choose one brand instead of the other though there is no discernible difference between them. Even very rational products (eg. Industrial purchases) can use emotional linkage as a way to the consumer's heart. Larsen & Toubro irrespective of where it appears as brand name (whether it is in cement or cement making machines) tends

to get favoured. This is because L & T’s brand personality portrays its achievements in executing countless engineering projects successfully.

If the brand were to become an emotion, what would it be? Given below are a few examples of how brands could be configured as emotions. Projective technique has been used to identify the emotions underlying the brands.

**Brands and brand personalities**

<b>Brand</b>	<b>Personality</b>
Maggi Hot & Sweet Chilli Sauce	Humour
Impact Bicycle	Valour
Sunrise coffee	Excitement
Nike	Achievement
Exide	Freedom
Moods	Sensitivity
Thumbsup	Bravery /daring
Amul	Humour
MTV	Wacky
Indian kings	Sophistication
Woodlands	Ruggedness and outdoorsy
Mahindra scorpio	Ruggedness
Ruff & Tuff	Bravery
Chyavanpash	Bravery and strong
Britannia little hearts	Love and affection

The advertisement of Exide stresses on buying peace (peace of mind) when one buys Exide Freedom battery (symbolized through a dove). Another way of using projective techniques is to identify the brand with an adjective. The question would be what adjectives describe the brand? The following examples illustrate the adjectives with which certain brands can be described.

**Brands and brand personalities**

<b>Brand</b>	<b>Adjective</b>
Tata tea	Vivacious, fresh
VIP Luggage	Long lasting, family member

<b>Brand</b>	<b>Adjective</b>
Palmolive Soap	Caring
Blue dart	Reliable
Liril	Freshness and lime
Mirinda	Fun
Lux	Beauty and softness
Bajaj Pulsar	Power
Titan watch	Style and elegance
Cinthol	Freshness
Mysore sandal	Traditional

### **Essence Approach**

David Arnold seems to treat essence to be synonymous with brand personality<sup>4</sup>. Essence is the basic idea behind the brand. When a brand is configured, it is important to get its essence first. This essence translates itself into benefits. These benefits should be converted to specific attributes. Ultimately, it is these benefits and attributes that form what Arnold calls brand anatomy.

For instance, essence of a brand like Close-Up is youth. This essence translates into benefits like joy, fun, energy and modernity. These benefits get reflected in the attributes of the product. The bright packaging of Close-Up signals modernity. But, bright colour and the gel reflect youth.

Some examples of how essence gets translated into benefits and benefits into attributes are listed in Table.

#### **Brand Essence – Benefits and attributes**

<b>Brand</b>	<b>Essence</b>	<b>Benefits</b>	<b>Attributes</b>
Coorg Coffee	100%	Purity	No chicory
Little Hearts	Romance	Funny	Heart shaped Biscuit
Raaga watch	Lady like	Elegance	Design on dial match saree designs
Coke	Youth	Mirth	Tingy taste

### Cluster Approach

Theodore Levitt<sup>15</sup> calls for providing “a cluster of value satisfactions” through a product. This could be one way of defining brand personality. Stephen King gives his view of brand personality through a study of Andrex toilet paper in UK between 1956 & 1963. The reasons for Andrex’s success were identified as

- Pioneer advantage
- Innovation in colour range
- Consistent high quality packaging
- Effective communication

Brand personality of Andrex was identified as reliable, dainty, clean living, domesticated, family-centered and nice to have at home. It is therefore proposed that all those components and elements that are in some sense crucial to and inseparable from the brand, form its personality. How the variable elements of a brand could contribute to its brand personality are shown in Table. It should however be remembered that the elements listed below are not the only ones that could be used to build a brand’s personality.

#### Elements of brand personality

Products	Sensory	Emotional	Rational
An incense stick	Smell	Brand Name	Raw material
A washing machine	Finish, looks	Reliability leading to peace of mind	Number of kg. of clothes it washes
A diesel engine	Noise level	Rugged hence reassuring	Fuel efficiency

(Adapted from “Developing New Brands” by Stephen King, Pitman Publishing 1973)

### Brand Personality Types

Chris Mcrae divides brand personalities into six types.

1. **Ritualistic brands** These are brands associated with particular occasions. For example, Crackers are associated with Diwali and

Greeting cards with Birthdays. Tractor paints' image is built on the South Indian habit of getting the house painted for Pongal. Britannia's Marie is a tea-time biscuit associated with the ritual of the consumption. Titan is positioning itself as a watch for celebration, i.e, wedding gift.

2. **Symbol brands** The logo or the name of the brand is more important than what it contains. Chivas Regal is strongly identified with the eagle-shaped container. The devil has given a lot of sensational publicity to Onida TV.
3. **Heritage brands** These are the brands that have pioneer advantage. They are capable of setting the agenda for the category or the segment they are in. Mysore Sandal, for instance, is uniquely identified by its fragrance, distinct packaging and its traditional positioning. Philips has a strong position in the audio system market because of its reputation.
4. **Exclusive brands** These are also termed "Aloof" or "Snobbish" brands. For instance, Dove toilet soap, BMW's 650 cc. bike, arrow Shirts are meant for an exclusive clientele in India. Not everyone can buy them. The "Upper Crust" range of shirts from Coats Vyella has a small crown stitched on the cuffs that sets it apart from others.
5. **Belonging brands** Human beings are constantly in need of being socially accepted. Brands which make the consumer a part of a larger family are belonging brands. A Levi-Strauss jean puts a youth at par with youth in the rest of the world. A Ray-Ban signals a youngman's having arrived. Charms cigarette, in the initial stages, fired the imagination of youth and acquired a cult following among them.
6. **Legendary brands** Brands which have a great deal of history behind them and have achieved demi-god status are legendary brands. Coke and Marlboro fall in this category. Charminar cigarette, Lux soap are examples from the Indian market.

### **Building Brand Personality**

Brands need to update personality to stay contemporary and relevant. Building strong brand personality requires special focus on packaging and advertising.

**Packaging:** Second major component of brand personality is the packaging factor. It communicates much about brand personality e.g. color association - Golden/Silver colors are used to represent premium products.

**Advertising** The contents shown in the ads communicate a very strong message that leaves a very strong and lasting impression in customers' minds. The elements like layout, colour etc (in print ads) and visual appeal, music etc contribute to the brand personality. Mozart symphony played in Titan advertisement complements the brand personality of Titan as sophisticated, elegant one.

## **Social Media**

Brands are breaking the barriers and reaching customers through social media. Customers are talking to brands and exchanging their views. Today the customers say: I know what you are doing brand.”

In order to successfully give your brand a personality on Social Media, consider these first:

- What is your brand?
- What would you like your brand to be seen as?
- Who would you like your brand to relate to the most?

Once you have considered the above, you can then choose to respond to your consumers by keeping the following in mind

- **Voice**-Choose the voice that you feel would fit your personality the most. For example, if your brand wants to be seen as the authority in your field and yet be accessible to consumers, keep all social media interactions civil and regular. However if you want to reach out to young people aged 16-25, you can adopt a friendlier and easy-going stance by having an ongoing conversation with them (always have an objective in mind while doing so).If you are targeting young people, you can adopt a “*Hey man! Thanks for the compliment!*” tone.
- **Politeness**- Do note that just as the words “I’m Sorry” goes a long way in rebuilding your reputation when crisis befalls, the

words “Thank You” also go a long way in building up your brand personality when a customer has something nice to say about you on Social Media – acknowledge compliments and thank them for their graciousness!

- **Giving** - Another good point to add would be that you would try your best to continue giving your best to your customers.

## Endorsements

The selection of an endorser is critical, as the personality of the endorser can get transferred to the brand. Endorser may be real or fictional. A celebrity enjoys instant recognition and goodwill that can be transferred to the brand.

The using of film stars for Lux beauty soap and highly successful sports persons for Nike is logical and shows brand fit. Sachin stands for style, power play, technique and excellence or performance. For Boost Health beverage brand he was the right choice. Sharukh Khan represents energy and style. He played key role in the success of Santro small car .

Rahul Dravid was brand endorser for Max New York life insurance, as he stands for trust, reliability, which can be transferred to the brand. The same is the case with Steve Waugh endorsing ANP SANMAR Life insurance. Exide has employed Dhoni for his power play and talent. Abraham was endorser for brands like Yamaha, Samsung etc., because of his rugged looks, good physique and youthfulness.

The element of creativity is critical while using celebrity endorsements. Otherwise celebrity may overpower, and overshadow the brand (vamping effect).

Indian celebrity can connect foreign brand with the Indian consumer with great effect. S. Kumar has Big B (Amitab Bachan) is brand Ambassador for Reid & Taylor, as it will enable them to Indianise the brand personality. Shahrukh Khan the Bollywood superstar is brand ambassador for Tag Heuer.

Endorser stands for certain favorable values of the brand such as performance, style and reliability etc. Personality of the brand and

celebrity should complement each other. The core values of the brand, pride, passion, precision and perfection should closely match with the personality.

### **Tangible Aspects**

Brand's tangible aspects like package and other elements like price are also key elements. Nirma's price and transparent package, Yellow colour of the detergent powder, symbolize 'Down to Earth' personality of Nirma. Smell package of Medimix and Mysore Sandal (including soap shape) gives distinct personality to them. Absolute Vodka, transparent liquid and shape of the bottle played key role in defining brand personality.

### **Symbols & Logos**

Symbols can also be used effectively to communicate brand values and characteristics. Mascots may also be part of the logo of a brand. Eicher uses head of the horse in the past, representing power and sturdiness of the Tractor. Eicher now uses galloping horse after diversifying its operations. Goodlass Nerolac uses tiger, signifying bright lasting colours.

LIC used hands of logo where represents safety, UTI has 'Kalash' as it is considered sacred and signals good things. Royal stag brand uses 'Horse' symbolizing naturalness and purity. ITC welcome group has W-Namaste as its logo, which captures the Indian tradition of welcoming the guests.

### **Slogans**

For instance, Nokia one of the world's valuable brand developed distinct personality through its ads and slogans. The slogans 'We call this human technology', 'only Nokia human technology enables you to get more out of life' and 'connecting people' emphasize human side of technology, thereby resulting in brand personality of trusted friend. It also stands for reliability and quality. The ads also played prominent role in contributing to the distinct personality. Table presents personality by slogans.

### Brand personality by slogans

Brand	Slogan
Peter England	Honest Shirt (sincerity)
LIC	Try - Thy name is LIC (Trust)
L & T switch gear	Safe & Sure (Trust)
Bajaj	Inspiring confidence (Competence)
Videocon	The Indian Multinational (Competence)
Bank of Rajasthan	Dare to Dream (Excitement)
Bank of India	Bank that cares (empathy)
Mahindra Scropio	Nothing else will do - (Ruggedness)
Nike	Just do it (Motivation, excitement)
Raymond	Complete man

Slogans enhance brand recall and have strong linkage with brand's essence / key values.

### User Imagery

It describes who or what type of person, might use that product / brand. Somebody may identify himself as Mercedes owner or Volvo driver. The recent TVC of Raymonds,( playing with puppies) focuses on soft side of man (i.e. caring and loving) and also on subtle aspects of life styles of executives. Here the focus is on emotional aspects rather than on functional attributes.

User imagery also communicates about the life style of the user. User imagery results in user-driven image which is transferred to the Brand. Brand personality needs to be updated with change in user imagery and information so that the brand remains contemporary and relevant.

The Thumsup, Marlboro, are classic examples for 'user imagery' contributing to brand personality and success. In fact, some of the brands have become cult brands in which brand personally played prominent role.

## Summary

Developing brand personality that matches the prospects has become a challenging task. Brand personality identification, development and communication have become crucial part of marketing today. A brand's personality is formally defined as "a set of human characteristics associated with the name of a product, service or company".

Brand personality has gained significance for creating identification, image, brand equity, engagement with customer. A strong brand must have following attributes: Relevancy, Consistency, Proper positioning, Sustainable, Credibility, Inspirational, Uniqueness and Appealing-

The concept of brand personality combines inside-out and outside-in; identity and image. Dr. Jennifer Aaker (1997) identified five dimensions of brand personality- Sincerity, Excitement, competence, sophistication, and ruggedness. Aaker suggests three approaches to develop brand personality, namely: Self-expression, Relationship and Functional benefit..

The other approaches are: Car analogy, Celebrity analogy, Animal analogy, Ideal spokes person, Arche types, Human type, Emotion – Centered approach, essence approach, Cluster approach. Chris Mcrae divides brand personalities into six types. Ritualistic brands, Symbol brands, Heritage brands, Exclusive brands, Belonging brands and Legendary brands

Brand personality is created by marketers through brand name, packaging and advertising communications.

## Self Assessment Questions

1. Marketing relies on branding for identity and image building. Explain.
2. Explain the concept of branding.
3. Trace the history of branding.
4. Explain commodity strategy and its relevance in Indian market.

5. Explain role of brands in consumer markets.
6. Explain the future of branding.
7. Define positioning
8. What are the steps involved in brand positioning?
9. Explain how do you develop positioning statement
10. Explain how positioning statement is communicated
11. What is brand repositioning?
12. Identify brand repositioning strategies.
13. Explain brand repositioning of any two consumer products.
14. Explain the concept of brand personality
15. How is the concept of brand personality useful to marketers?
16. What are the five dimensions of brand personality?
17. How do you identify the views of consumers on a brand?
18. Describe brand personality definition methods: Car analogy, celebrity analogy, animal analogy, ideal spokesperson and archetypes.
19. Explain human and emotion centered approaches of defining personality
20. Explain essence approach and cluster approach of defining personality

### **CASE STUDY**

#### **Be Indian and Buy Indian**

Krishna opened his e-mail and found a forward that was not only interesting but also thought provoking. He immediately called his sister Valli, who is a lover of shopping and who is keen on buying branded shirts for her brother. The mail read as follows:

Hello friend,

Save the Indian rupee and save India. You can make a huge difference to the Indian economy by following few simple steps.

Please spare a couple of minutes here for the sake of India. Before 12 months, 1 US \$ is equal to INR Rs 42. Now it is INR Rs 55.5. The rupee value has fallen. Indian economy is in trouble. It is in crisis. Our country like many other Asian countries, is undergoing a severe economic crunch. Many Indian industries are closing down. If we do not take proper steps, we will be in a critical situation. More than 30,000 crore rupees of foreign exchange are being siphoned out of our country on products such as cosmetics, snacks, tea, beverages, etc. A cola drink that costs only 70 / 80 paisa to produce is sold for ` 9 and a major chunk of profits from these are sent abroad. This is a serious drain on Indian economy.

We have nothing against multinational companies, but to protect our own interests, we request everybody to use INDIAN products only at least for the next two years. Each individual should become a leader for this awareness. This is the only way to save our country from severe economic crisis. You don't need to give-up your lifestyle. You just need to choose an alternate product. All categories of products are available from wholly Indian companies.

- Instead of Coca Cola, Pepsi, Limca, Mirinda, and Sprite drink lemon juice, fresh fruit juices, chilled lassi (sweet or sour), butter milk, coconut water, jal jeera, Enerjee, and Masala milk
- Instead of Lux, Lifebuoy, Rexona, Liril, Dove, Pears, Hamam, Lesancy, Camay, and Palmolive, use Cinthol Santoor, Wipro Shikakai, Mysore Sandal, Margo, Neem, Evita, Medimix, Ganga, Nirma Bath and Chandrika, toilet soaps. Instead of Colgate, Close Up, Pepsodent, Cibaca, Forhans, and Mentadent use Neem, Babool, Promise, Vico Vajradanti, Prudent, and Miswak tooth pastes
- Instead Of Colgate, Close Up, Pepsodent, Forhans, and Oral-B use Prudent, Ajanta and Promise tooth brushes
- Instead Of Palmolive, Old Spice, and Gillette, use Godrej, and Emami shaving creams
- Instead of Seven-O-Clock, 365, and Gillette use Supermax, Topaz, Lazer and Ashoka shaving blades
- Instead of Ponds, Old Spice, Johnson's Baby Powder, and Shower To Shower, use Santoor, Gokul, Cinthol, Wipro Baby Powder, and Boroplus talcum powders,

- Instead of Anikspray, Milkana, Everyday Milk, and Milkmaid, use Indiana, Amul, and Amulya milk powder
- Instead of Halo, All Clear, Nyle, Sunsilk, Head And Shoulders, and Pantene, use Lakme, Nirma, and Velvette shampoos.
- Instead of KFC, Macdonald's, Pizza Hut, and A&W eat Tandoori chicken, Vada Pav, Idli, Dosa, Puri, and Uppuma

Every INDIAN product you buy makes a big difference. It saves INDIA. Let us take a firm decision today

Using global brands, is explained as globalization of Indian economy by the capitalists of advanced nations.. For Indians like you and me, it is re-colonization of India. The colonist's left India in 1947. But this time, they will make sure they don't make any mistakes. Please remember: political freedom is useless without economic independence.

### Questions

1. Do you think buying foreign brands will endanger our freedom?
2. Is the letter effective in changing the purchase preferences of Indian consumers?

### Internet Exercises

1. Prepare a note on 'The Benefits of Branding Your Product or Service' by referring [www.mktghelp.com/.../...](http://www.mktghelp.com/.../...)
2. There is debate on whether services branding process differs from the more traditional product branding process. Refer, 'Service branding vs product branding and the role of marketing, [learningonservicemanagement.blogspot.com/.../service-branding-vs-...](http://learningonservicemanagement.blogspot.com/.../service-branding-vs-...) and prepare a note.

### Mini-Project

Visit local supermarket and observe how brands are displayed. Identify the local, national and global brands. Ask the sales people, which brands are moving fast.

## CASE STUDY

### Perceptions for Positioning

Parikshat S. Manhas conducted a survey of consumer preferences to hair oil attributes for brand positioning.

#### Methodology

The survey was restricted to SEC A, B and C in urban India. The consumers were divided as follows:

- i) Chief wage earners (CWE): they are the ones who contribute maximum to the household income.
- ii) Housewives: with the growth in women's education standards, now they participate more in the decision making in Indian's households.
- iii) Young adults (males and females): this is the category of consumers who are very articulate as far as their choices are concerned.

The survey was conducted across three cities of North India for a three-month period, from January to May 2009. The total sample size was 1800.

The cities chosen were:

1. Delhi - Metro city of India - 45%
2. Chandigarh - Class I city of India - 30%
3. Jammu - Class II city of India - 25%

A stratified random sampling method was used to select the households from which respondents were interviewed.

Since all these brands had different presentations, only the following were shown to the respondents:

1. Clinic Plus- Clinic Plus Coconut Hair Oil and Clinic All Clear Anti Dandruff Hair Oil,

2. Parachute- Parachute Coconut Oil,. Parachute Coconut Oil for Dandruff,
3. Nihar Amla -. Nihar Coconut Amla Hair Oil
4. Hair & Care- Hair& Care Perfumed Light Hair Oil and. Hair & Care Conditioner & Protection Hair Oil

The respondents were asked informally whether they had used these brands' presentations within the last year. Only if their answer was affirmative, the respondents were asked to fill in the questionnaire. If the respondents did not have time to fill the questionnaire, they were provided with self-stamped addressed envelopes to return the questionnaire fully answered to the researcher.

Respondents were first asked to rate the importance of the 15 cognitive attributes using a 5 point scale starting at 1 = not important and 5 = very important. In a separate section, respondents were asked to indicate the perceived performance of each of the five competing brands across the same attributes. Again, a 5 point scale was used. The purpose of these two sections was to facilitate an Important Performance Analysis (IPA) on the cognitive perceptions.

Conation was measured by requesting respondents to indicate the likelihood of purchasing each brand within the next 12 months. A 5-point scale was used, anchored at 1 = definitely not and 5 = definitely yes.

Field interviews were conducted by researchers in the three selected cities. Each one was divided into four different areas – north, south east and west. The total sample for every one of them was distributed among each area of the three cities. In turn, the localities in all areas were chosen randomly and, in every locality, one house was selected at random as well. Every second household was selected for interview, beginning from the first house, using the right hand rule, till the sample was achieved. Only one respondent was selected from each household visited. Each respondent was shown the brands under study.

### **Awareness and Use**

84% of the respondents were aware of Hindustan Lever Limited where as only 68% of the respondents were aware of Marico Industries. About 46% of the respondents are using Clinic Plus brand, followed by

Parachute (28%), Nihar Amla (15%) and Hair & Care (11%). Clinic Plus is used as first choice brand by 46% of respondents; 27% of respondents used it as second choice brand. 29% of the respondents used Parachute as first choice brand and 2% respondents used it as second choice brand. Nihar Amla was used as first choice brand by 15% of respondents, and 41% used it as second choice brand.

Hair & Care has 10% respondents using it as first choice brand; 30% respondents used it as second choice brand. 61% of the respondents used the hair oil brands Clinic Plus and Nihar Amla of Multinational National Company (HLL), and 39% of respondents used hair oil brands of domestic companies (Marico Industries), that is Parachute and Hair & Care.

### **Brand Loyalty**

About 36% of respondents had been using Clinic Plus for over the last two years, and over 6% respondents had been using Clinic Plus for over the last five years, only 10% of the respondents had started using Clinic Plus brand within the last two years.

It was noted that 6% of respondents had only started using Parachute within the last two years, whereas 22% of respondents had been using it over two years. About 7% of respondents had started using Nihar Amla within the last two years, and little over 8% respondents had been using it for over two years. Hair & Care was also being used by 7% of respondents for the last two years and above 3% of respondents had been using it for over two years period now. It was also observed that 44% of respondents had been using Multinational Company (HLL) hair oil brands (Clinic Plus and Nihar Amla) for over two year. 26% of respondents had been using domestic hair oil brands (Marico Industries, Parachute and Hair & Care).

### **Quantity of Use**

On an average, 78% of respondents have reported a consumption of three to four bottles of hair oil (100 ml presentation) per month, and about 12% of respondents reported the consumption of over four bottles per month of the same product.

### **Importance of Brand Name and Performance**

The majority of respondents (77%) claimed that brand name was very important and they made it a point to purchase branded hair oil only.

38% of respondents were not satisfied with their present brand of hair oil and were contemplating a shift to some other brand. However, 62% of respondents were satisfied with their present brand of hair oil.

### Attribute -Wise Analysis

Factor analysis revealed three factors with the following attributes. The mean scores of the attributes ranged from 5 to 3.66 on the five point scale ( 5 very important -1 very unimportant).

1. **Transaction Factor**– Price(4.55) Advertisement (4.42), Packaging (4.33), Availability (4.13), Promotional Scheme (4.13) and Display at the shop(4.13)
2. **Benefit Factor**- Suits the hair (5.0), Better shine (4.74), Adds Bounce & Body (4.77), More Manageable (4.15) and Relieves Dryness (4.46).
3. **Composition Factor**- Quality(4.52), Contents(4.51), Fragrance (4.31) and Consistency (3.66).

It is seen that amongst different attributes of hair oils Suits the Hair, Adds Bounce & Body and Better Shine are placed on the top three positions. Thus, it can be construed that the Benefit factor is the most important factor for consumers at the moment of purchasing hair oil.

### Comparison of Brands

How are the chosen brands rated on the three factors? Clinic Plus is the leader among the three with ratings higher than other brands.

Factor Means

Factor	Importance	Clinic Plus	Parachute	Nihar Amla	Hair & Care
Transaction Factor	4.28	4.04	3.08	3.19	2.63
Benefit Factor	4.62	4.70	3.46	3.87	2.40
Composition Factor	4.25	4.49	3.09	3.30	2.73

### Questions

1. Critically examine the objectives and methodology of the study.
2. What are the major findings of the study?

### 3. What are the implications to marketing managers?

*Source:* Parikshat S. Manhas (2010), Strategic brand Positioning Analysis through comparison of cognitive and conative Perceptions, Journal of Economics, Finance and Administrative Science, December, 15(29), pp.15- 33.

#### **Internet Exercise**

Develop a note on NGO Brand Positioning from the

*Source:* [safrg.org/uploads/BrandPlan.pdf](http://safrg.org/uploads/BrandPlan.pdf)

#### **Mini-Project**

Collect advertisements of different brands in consumer products- (i) Coffee (ii) Tea (iii) Shampoo (iv) Toilet soaps and develop a note on positioning.

### **CASE STUDY**

#### **Building Personality of Horlicks**

The new century has seen the Horlicks brand successfully battle the quirks of a fickle market. In fact, during 2001/02, Horlicks overcame grave challenges. The process invigorated and reinforced all the traditional virtues of the Horlicks brand and in the process created the basis on which Horlicks confidently looks to its future.

#### **Horlicks for all**

Junior Horlicks, is a specialist brand for little children. Mother's Horlicks, is a special nourisher for pregnant and breast feeding mothers. Horlicks Biscuits is the other forms in which the brand is available. A selection of flavours – including chocolate, vanilla and honey – allow consumers to enjoy the nourishing goodness of Horlicks in a variety of delicious ways. In India, 2 billion cups of Horlicks are drunk every year.

#### **Fighting for Leadership**

The initial years of the new millennium were turbulent for Horlicks. While the brand stayed ahead of its rivals and retained market leadership, it showed a decline in absolute sales growth. Analysis revealed that the brand was suffering on three counts:

1. Usage by medium and heavy users had declined;
2. The brand was not being perceived as 'modern and contemporary'
3. There was a loss in brand relevance among children.

### **Previous Positioning of Horlicks**

Horlicks was first invented to substitute milk as baby food. In some global markets, Horlicks is positioned as a sleep enhancing night time drink. Where there is a problem taking solid food, Horlicks can provide the nutrition that would otherwise be missing from the diet. People on special diet, including liquid diet or any diet devised for gastric disorders, can benefit from the nutritional convenience of Horlicks.

### **Change of Personality**

A complete brand re-launch was initiated in July 2003, and this involved improving the product, introducing new flavours, new packaging and a new communication campaign. For the first time in the brand's history, it was decided to target children directly. Consumer research revealed that children perceived the brand to be old fashioned – something that their grandparents drank. This increased their resistance to the brand. Moreover, mothers too, were reluctant to force their children since they wanted to be seen as friends rather than as figures of authority.

So, 'better taste' was the only way to make Horlicks the preferred choice among children. The focus was on 'pleasurable nourishment' and this paved the way for the introduction of new variants – including vanilla and honey. The regular variant, too, was improved to offer the best possible taste. And finally, packaging was made smarter, more vibrant and attractive. The new, improved Horlicks was advertised through the 'Pran chonchol' campaign, which established the Horlicks experience as integral to the lives of spirited live-wire children. The brand's personality changed dramatically – the serious, do-good, earnest personality was replaced by a spirited, engaging, fun-loving character.

What remains unchanged, though, is the commitment of the company to inventing new reasons and ways for consumers to enjoy the nourishing goodness of Horlicks.

## **Promotion**

Horlicks released its first Indian press ad campaign way back in the 1930s, positioning itself as the family nourisher. Over the years, Horlicks' communication has always connected with its consumers. In the 1970s, Horlicks was among the first brands that gave expression to the urban housewife's concerns by creating the character of Suchitra, a modern housewife concerned with her family's health. During the 1980s, Horlicks created one of the most popular TV campaigns with its 'Why do I drink Horlicks?', commercial. It was one of the early instances of slice-of-life advertising that showcased the wide acceptance of the brand among people from different walks of life.

The brand has been endorsed by celebrities, including leading lights of the Indian film industry such as Amitabh Bachchan who featured in a series of radio ads in the 1960s and 1970s; and Moon Moon Sen and her daughters Riya and Raima in the 1980s. Former world chess champion Vishwanathan Anand has also endorsed the brand.

Apart from brand building campaigns, the brand is also well-supported by consumer promotions. Below-the-line activities, merchandising, sampling programmes in schools, shopping malls and at sponsored events have helped Horlicks achieve top-of-mind recall scores of more than 70 and 45 respectively in the key markets of Calcutta and Chennai.

## **Brand Values**

Horlicks ranks amongst the most cherished and valued brands in India today. Horlicks has always been a brand that stands for good health and nourishment through a wholesome, natural product. A commitment towards product quality and reinforcement of essential nutrients has won over the trust of generations of mothers.

The brand gives them the reassurance that they seek in caring for their family. Family bonding is at the heart of Horlicks' brand values. This, in turn reinforces Horlicks' image as a caring and trusted brand.

## Questions

1. How is Horlicks repositioned and why?
2. What is the brand personality of Junior Horlicks? How is it developed?
3. What suggestions do you have to modernize the brand personality of Horlicks?

*Source:* Junior Horlicks -:: GlaxoSmithKline - Consumer Healthcare:: gsk-ch.in/  
JuniorHorlicks.aspx

## Internet Exercise

Prepare a note of personality building for bournvita from Marketing Practice: Bournvita : Do You have Bournvita Confidence, [marketingpractice.blogspot.com/ . . . /bournvita-do-you-have-bournvita . . .](http://marketingpractice.blogspot.com/.../bournvita-do-you-have-bournvita...)

## Mini-Project

Take a brand of your choice and examine the marketing effort directed at building its personality. Interview 10 customers and verify whether the promoted personality matched with perceived personality. Make a report.

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## UNIT – II

### Unit Structure

Lesson 2.1 - Self Image and Brand Image

Lesson 2.2 - Brand Proposition

Lesson 2.3 - Brand Name

Lesson 2.4 - Brand Awareness

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### Lesson 2.1 - Self Image and Brand Image

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### Learning Objectives

*The lesson has the following objectives.*

- Explain the meaning of self-concept
- Describe the process of self-branding

### Introduction

Throughout the long history of consumer research, there has been much interest regarding how consumers make purchase decisions, prefer and patronize brands. It is observed that people engaged in consumption do not merely buy certain products to satisfy basic needs. Specifically, consumers will often only purchase certain brands when he/she finds a match between the brand image and his/her own self-image. As such, the value of a brand depends on its ability to help consumer to build and create self concept and image. Hence marketers have to make efforts to build brand images through brand building activity- creating brand identity, brand personality and brand image.

### Self- Concept Explained

The self concept is how we understand about ourselves. It is what we think about, evaluate, identify and image ourselves.

## **Two Stages of Self Concept**

Lewis (1990) suggests that development of a concept of self has two stages- recognizing self as a separate entity (existential self) and describing oneself as a distinct entity (categorical self).

### ***Existential Self***

This is the basic part of the self-scheme or self-concept; it includes two things:

- One, the sense of being separate and distinct from others
- Second, the awareness of the constancy of the self.

The child realizes that they exist as a separate entity from others and that they continue to exist over time and space. This awareness starts as young as two to three months old and arises in part due to the relation the child has with the world. For example, the child smiles and someone smiles back, or the child touches a mobile and sees it move.

### ***Categorical Self***

Having realized separate existence and identity, the child next becomes aware that he or she is also an object in the world. Just as other objects including people have properties that can be experienced (big, small, red, smooth and so on) so the child is becoming aware of him or her self as an object which can be experienced and which has properties. The child learns to analyze objects by placing them in different categories. In a similar way, self too can be put into categories such as age, gender, size or skill. Two of the first categories to be applied are age (“I am 3”) and gender (“I am a girl”).

In early childhood, the categories children apply to themselves are very concrete (e.g. hair color, height and favorite things). Later, self-description also begins to include reference to internal psychological traits, comparative evaluations and to how others see them.

### Three Components of Self Concept

Carl Rogers (1959) believes that the self concept has three different components:

- The view you have of yourself (Self image)
- How much value you place on yourself (Self esteem or self-worth)
- What you wish you were really like (Ideal self)

#### *Self Image- what you see in yourself*

A person's self image is affected by many factors, such as parental influences, friends, the media etc. Kuhn (1960) investigated the self-image by using The Twenty Statements Test. He asked people to answer the question 'Who am I?' in 20 different ways. He found that the responses could be divided into two major groups. These were *social roles* (external or objective aspects of oneself such as son, teacher, friend) and *personality traits* (internal or affective aspects of oneself such as gregarious, impatient, humorous).

The list of answers to the question "Who Am I?" probably include examples of each of the following four types of responses:

- **Physical Description:** I'm tall, have blue eyes . . . etc.
- **Social Roles:** We are all social beings whose behavior is shaped to some extent by the roles we play. Such roles as student, housewife, or member of the football team not only help others to recognize us but also help us to know what is expected of us in various situations.
- **Personal Traits:** These are a third dimension of our self-descriptions. "I'm impulsive . . . I'm generous . . . I tend to worry a lot" . . . etc.
- **Existential Statements** (abstract ones): These can range from "I'm a child of the universe" to "I'm a human being" to "I'm a spiritual being" . . . etc.

Typically young people describe themselves more in terms of such personal traits, whereas older people feel defined to a greater extent by their social roles.

***Self Esteem and Self Worth- the extent to which you value yourself***

Self esteem refers to the extent to which we like accept or approve of ourselves or how much we value ourselves. Self esteem always involves a degree of evaluation and we may have either a positive or a negative view of ourselves.

High self esteem i.e. we have a positive view of ourselves. This tends to lead to

- Confidence in our own abilities
- Self acceptance
- Not worrying about what others think
- Optimism

Low self esteem i.e. we have a negative view of ourselves. This tends to lead to

- Lack of confidence
- Want to be/look like someone else
- Always worrying what others might think
- Pessimism

There are several ways of measuring self-esteem. The Thematic Apperception Test (TAT), shows a neutral cartoon and asks the participant to devise a story about what's going on.

Michael Argyle(2008) believes there are four major factors that influence self esteem.

1. **Reaction of others-** If people admire us, flatter us, seek out our company, listen attentively and agree with us we tend to develop a positive self-image. If they avoid us, neglect us, tell us things about ourselves that we don't want to hear we develop a negative self-image.
2. **Comparison with others.** If the people we compare ourselves with (our reference group) appear to be more successful, happier, richer, better looking than ourselves we tend to develop a negative self

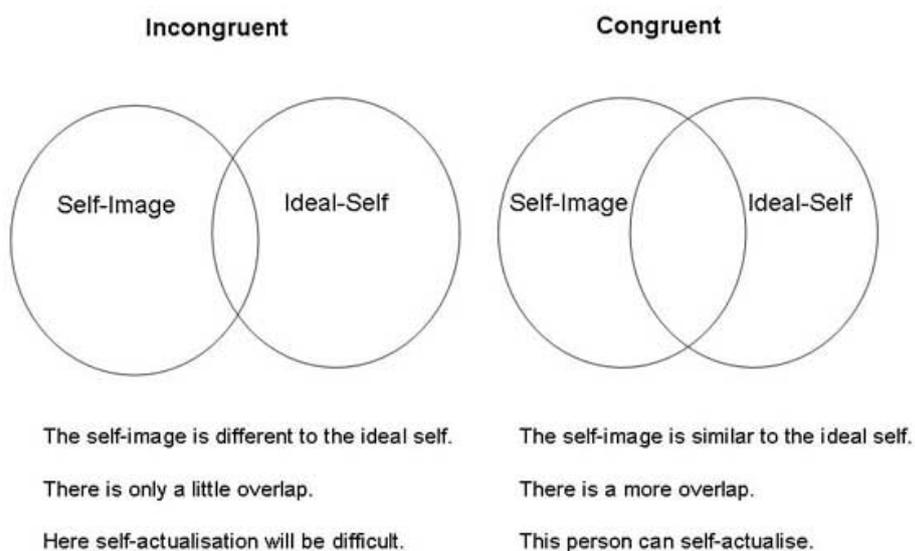
image BUT if they are less successful than us our image will be positive.

3. **Social roles.** Some social roles carry prestige e.g. doctor, airline pilot, TV. presenter, premiership footballer and this promotes self-esteem. Other roles carry stigma. e.g. prisoner, mental hospital patient, refuse collector or unemployed person.
4. **Identification.** Roles aren't just "out there." They also become part of our personality i.e. we identify with the positions we occupy, the roles we play and the groups we belong to.

### Ideal Self-What you'd Like to be

If there is a mismatch between how you see yourself (e.g. your self image) and what you'd like to be (e.g. your ideal self ) then this is likely to affect how much you value yourself. Therefore, there is an intimate relationship between self-image, ego-ideal and self-esteem..

A person's ideal self may not be consistent with what actually happens in life and experiences of the person. Hence, a difference may exist between a person's ideal self and actual experience. This is called incongruence.



Where a person's ideal self and actual experience are consistent or very similar, a state of congruence exists. Rarely, if ever does a total state of congruence exist; all people experience a certain amount of incongruence.

The development of congruence is dependent on unconditional positive regard. Roger's believed that for a person to achieve self-actualization they must be in a state of congruence.

Michael Argyle (2008) says there are four major factors which influence its development:

- The ways in which others (particularly significant others) react to us.
- How we think we compare to others
- Our social roles
- The extent to which we identify with other people

Different kinds of self image:

1. Actual self image – how people in fact see themselves
2. Ideal self image – how people would like to see themselves
3. Social self image – how people feel others see them
4. Ideal social self image – how people would like others to see them
5. Expected self image – how people expect to see themselves at some future point in time

**Self-Branding**

Self branding describes the process in which consumers match their own self concept with the images of a certain brand.

**Self-Congruity Theory**

Self-branding can be explained by Sirgy's self-congruity theory. It is proposed that consumer behavior is partially determined by the similarity between consumers' psychological comparisons of the brand-user-image. This self-congruity affects consumption behavior of consumers through motives such as need for self-consistency.

Actual self image	I am good in computer programming
Ideal self image	I am excellent in computer programming

Social self image	He is above average in computer programming
Ideal social self image	He is excellent in computer programming
Expected self image	He is excellent in computer programming
Brand image	Excellent trainer in computer programming ( NIIT, APTECH )

Congruity with consistency occurs at two levels

- Identification level (self esteem) - . When perceived self, behaviours and consequences are consistent. *I am a good student because I work hard to prepare for examinations and I always get good grades.*
- Choice level (self branding) – When consumers find appropriate match between their own self –image and the brand-image. *I want to be an excellent programmer and hence I join NIIT which is reputed as an excellent trainer.*

High self-congruity will lead to positive attitudes toward the brand and repeated purchase.

### Implications to Marketer

Brand images are created by consumers who buy them. When consumers evaluate the brand they will image the typical user of this particular brand and see whether they are similar to them. For example, if I perceived myself as a trendy youngster and valued advance technology, the chance that I will buy an IPod for my own use is very high. IPod is preferred by youth. As a result marketers are projecting a strong and explicit image of trendy, fashionable and high-tech product that is unique and valued by young people.

However, when introducing a new brand, markets should position the brand for a target market and make an attempt to create an image for it.

When we say that a brand has a positive brand-image, it means that the brand has established some strong, favorable and unique associations with the consumer's self-image. These strong, favorable and unique associations can be mainly divided into two parts.

Firstly, the image of users as explained above. Demographic and psychographic factors of consumers can be taken into consideration and user images can be researched.

For instance, Nano car of Tatas have buyers from the middle income group, young men and women who are social and successful in starting a career. They like to be economical, independent and willing to try new things.

So, Nano is to be advertised with such messages of economy, freedom and experience.

Secondly, the psychological benefits experienced by consumers. They are identified at two levels:

- Satisfaction with functional benefits – For example, the buyer of Nano is satisfied if the car gives the mileage, and provides smooth drive as expected. When his expectations and performance match, he is satisfied.
- Satisfaction with social benefits – It includes recognition by the peer group (i.e. social approval) and expression of how I would like other people to see and think of me (i.e. personal expression).

Nano is presented in ads in social groups, friends exclaiming how good it is for ride and fuel economy.

### **Revamping Image –Airtel Case**

India's Bharti Airtel has announced a new brand identity which is plans to roll-out across its entire global footprint in Asia and Africa. The company also announced that it has crossed the significant milestone of 200 million customers and was on course to launch its 3G services.

Announcing this, Mr. Sunil Bharti Mittal, Chairman and Managing Director, Bharti airtel said, "Fifteen years ago Bharti Airtel started its journey in India with a promise of delivering world class and affordable services. Today, as we expand on the global stage, this new brand identity gives us the opportunity to present a single, powerful and unified face to our customers, stakeholders and partners around the world. It reinforces

our promise to deliver innovative services and a superior brand experience to our 200 million customers across Asia and Africa.”

The new brand identity drops the Bharti and the capital letter for Airtel to create “airtel”, although most organisations will probably still capitalise the name in print. Airtel new website says, “**get closer to what you love**”



The curved shape and the gentle highlights on the red color make it warm and inviting, almost as if it were a living object. It represents a dynamic force of unparalleled energy that brings them and customers closer.

Their new international identity has been specially crafted to appeal to a more dynamic and demanding audience. At the same time, it retains the core elements of what has made their brand a market leader. The specially designed logo type is modern, vibrant and friendly. It signals their resolve to be accessible, while the use of all lowercase is the recognition for the need for humility. Red is part of our heritage. It is the color of energy and passion that expresses the dynamism that has made airtel the success it is today, in India, and now on the global stage.

### **Pillsbury – Soft and Caring Housewife**

General Mills, the marketer of Pillsbury brands has the ‘mission of “Nourishing Lives – innovating to make lives healthier, easier and richer”. In India since 1996, the emphasis is on bringing in global brands and technology and adapting these to local market requirements. Pillsbury Atta is a super brand from its stable.

*Pillsbury Chakki Fresh Atta* flour provides consumers with a deliciously soft rotis, along with the convenience of a packaged, branded product. It was introduced in 1998 as a high-quality, nutritious alternative to the age-old tradition of purchasing grain and having it ground at the local “Chakki” or flour mill.

There were many risks associated with the launch; not least of all was the fact that Pillsbury, in a tradition-bound market, was a foreign

brand that could simply not know enough about Indian idiosyncrasies. The pundits had predicted a quick demise. Yet, despite all odds, the brand was an immediate success, scaling positions of leadership in key metro cities just three months after launch. The brand went from zero awareness to 75% recognition in a very short span.

The launch itself was preceded by a year's study to understand the market and the psyche of the housewife. Four truths emerged:

1. First, the need for a differentiation strategy.
2. Second, to create a high-quality product and ensure its credentials.
3. Third, to communicate the difference in an incisive manner.
4. Finally, the execution, which the company believed should be so sharp as to rest on a knife's edge.

Part of its success was assured when a wish statement – ‘I wish there was a way to keep the rotis in my husband's lunch box soft till the time he eats them’ – was picked by every consumer group. The need-gap – ‘Rotis soft over six hours’ - is identified. The reference to six hours was borne out of the normal time the rotis were made at 7 am and consumed at 1 pm. But a product to survive in the harsh marketplace must live through its promise.

To ensure that the final Pillsbury product literally stood the test of time, sophisticated instruments were used to test the sheer value – or softness – of the rotis. The difference the product offers was communicated through advertising. This was done using a variety of situations, each showcasing the husband and child – the two imperatives in an Indian housewife's life – enjoying the rotis.

To create a memorable twist in execution, the softness benefit was rendered with the now-famous, three-finger tear visual. To ensure the continuity of its hard-won success, the company has introduced new manufacturing processes that combine the authenticity of traditional chakki-grinding with modern day, industrial scale milling.

Six years later, having made an important contribution to shifting consumers to branded products, Pillsbury took the next step in market consolidation. In 2004, it moved from the softness platform to the

higher order platform of wellness. It was once again research that came to the front. Studies had indicated an alarming rise in cardio-vascular diseases amongst Indians and the emerging and perceptible shift to health consciousness.

Pillsbury was re-launched with the tag line ‹Whole wheat atta is good for your family's heart.› This matter-of-fact statement was endorsed by the prestigious Heart Care Foundation of India (HCFI). The brand moved up another notch in 2008. It reinvented the atta by laying claim to the obvious belief that whole wheat grain was a good source of fibre, iron and nutrients. Pillsbury Atta with Multi-Grain was a unique blend of seven grains (wheat, oats, soy, raagi, barley, channa dal and maize) that are specially blended to provide all-around health benefits. With this new platform, Pillsbury urged consumers to shift to a healthy alternate and move to Pillsbury Whole Grain Atta.

Today, Pillsbury is one of the top three brands nationally and is recognised as the image and innovation leader in the market. The brand is used by more than 20 million consumers and has helped popularise and grow the branded atta market in India. Research has shown more than 90% brand awareness while advertising awareness has registered more than 75% recall. The brand also has a strong distribution network with products distributed in over 100,000 outlets throughout India.

New Pillsbury Gold Atta is made from premium quality 100% M.P. Sharbati wheat. M.P. Sharbati wheat is amongst the best quality wheat in India & sourced from the fertile and golden wheat fields of Madhya Pradesh. Sharbati wheat makes Rotis that have rich creamy colour, mouth watering aroma and are deliciously soft.

The case shows how Pillsbury brand is developed as a 'caring' brand of family as much as the housewife. Its personality is matching with the housewife, who is soft and lively and who seeks to make life healthy and tasteful for her husband and children.

### **Fair & Lovely: Empowered Woman**

Fair & Lovely falls in personal care product category. It promises the benefit of "making complexion fairer over a period of six weeks". Having

established itself as a safe and efficacious fairness cream, Fair & Lovely then positioned itself as the cream that fulfilled one's dreams and desires, articulated as the cream that helped you get the man of your dreams. The brand is later positioned as the cream that helps in turning dreams into destiny."

With the success of the brand, the products under the brand are extended to include: Fairness cold cream, Anti-Marks cream, Oil control Fairness Gel Cream for Deep Skin, Fairness Soap and also men's range: "Fair & Lovely Menz Active". Fair & Lovely is marketed by Unilever in 40 countries in Asia, Africa and the Middle East, with Pakistan being the largest single market.

The target segment for the brand is middle class women who want fairer skin. The message is conveyed in ads where women using the brand become fairer and get ahead in life by attracting men and jobs. A package sold in market displays one face six times, in an ever-whitening progression, and includes before and after photos of a woman who presumably used the product.

On its website the company calls its product "the miracle worker" which is proven to deliver one to three shades of change. Ironically, despite the obsession with fair skin, dark skin is actually healthier and less vulnerable to skin diseases than lighter skin. Dark skin contains more melanin which protects it from the sun and hence, reduces the incidences of skin disease. Whitening creams pose a special risk in developing countries where dermatologists and general medical practitioners are typically not the first to be consulted on the treatment of skin diseases.

Fair & Lovely's heavily aired television commercials typically contain the message of a depressed woman with few prospects that gains a brighter future by either attaining a boyfriend/husband or a job after becoming markedly fairer, which is emphasized in the advertisements with a silhouette of her face lined up dark to light.

It is interesting to note that in the print and TV advertisements, as the woman becomes 'whiter' she also becomes noticeably happier! Such advertisements have attracted much public criticism, especially from women's groups at every place. Unilever has countered the criticism it has

received for its Fair & Lovely advertisement by saying that complexion is one of the Asian standards of beauty and that it is a dimension of personal grooming: “A well-groomed person usually has an advantage in life”.

### **Change in Positioning**

Madhu Noorani, Executive Director, Lowe, further explained, “The brand’s positioning evolved based on the understanding of the evolving consumer. When the dreams and aspirations of the consumer were about getting the ‘right partner in your life’, the brand reflected that.

Subsequently, the consumer evolved and even though getting the right man was still remained important, it became more important to achieve something substantial for self, to have a status change in life and to be more empowered. It is with this consumer understanding the central philosophy of Fair & Lovely has changed to women empowerment and allowing women to make their dreams their destiny and live life on their terms.”

With the reworked positioning with changing times, Fair & Lovely also launched the ‘Fair & Lovely Foundation’ that works towards getting girls in India better education by offering scholarships. The Foundation works on a basic premise that education is the pillar that one needs in order to get more empowered in life. Noorani continued, “Since this change in the positioning was stemming from true reflection of the evolving Indian consumer, the brand sales increased tremendously. The current market has witnessed launches from many local and international brands, yet Fair & Lovely has maintained its superiority and leadership even in this high competitive market scenario.”

Being a true iconic brand, Fair & Lovely has retained its essence yet reflected the changing desires of its consumers. So, when the dreams and aspirations of the consumer were about getting the ‘right partner in your life’, the brand reflected that. And as consumers desired an expression of self achievement, brand empowered them with the power to change your destiny. As evident, at the heart of Fair & Lovely is its long standing commitment to women empowerment. It is this un-wavering commitment that has resulted in Fair & Lovely being the world’s No. 1 skin Lightening cream.”

According to Lowe's Srijia Chatterjee, "The key to Fair & Lovely's success has been to re-invent itself basis the changing needs of the consumer. It is critical to keep a pulse on the evolving consumer and tune the communication and positioning to encompass that."

Rajeev Raja, Creative Head, DDB Mudra, said, "I certainly think that the reworked positioning is politically more correct and relevant in today's society. It is also a socially better message, and empowerment definitely has a positive stance. The earlier stance of implying that dark skin would not help in getting a good groom was regressive and didn't fit well with changing times. The brand has evolved and messages such as liberation and empowerment are definitely a better territory for brand to operate on."

### Summary

Consumer research, revealed that people buy products not based on their utility but also when they find a match between the brand image and his/her own self-image. Marketers need an understanding of self concept to develop right strategy for matching brand image with self image. Lewis (1990) suggested that development of a concept of self has two stages- recognizing self as a separate entity (existential self) and describing oneself as a distinct entity (categorical self). Carl Rogers (1959) believes that the self concept has three different components:

The view you have of yourself (Self image), How much value you place on yourself (Self esteem **or self-worth**) and **What you wish you were really like** (Ideal self). Michael Argyle (2008) believes there are four major factors that influence self esteem- Reaction of others, Comparison with others, Social roles. Identification and Ideal Self-*what you'd like to be*. *Different kinds of self image are: actual self image, ideal self image, social self image, ideal social self image and expected self image.*

Self branding describes the process in which consumers match their own self concept with the images of a certain brand. Self-branding can be explained by Sirgy's self-congruity theory. It is proposed that consumer behavior is partially determined by the similarity between consumers' psychological comparisons of the brand-user-image. This self-congruity affects consumption behavior of consumers through motives such as need for self-consistency.

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## Lesson 2.2 - Brand Proposition

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### Learning Objectives

*After studying the lesson you will be able to.*

- Explain the meaning of brand proposition
- Describe how to develop brand proposition

### Introduction

Companies seeking to experience long-term success will have to create the most compelling, relevant, and consistent brand experiences for their customers. A good advertising message must have the power to inject the brand proposition into the psyche of teeming consumers in a creatively compelling style. The brand proposition must be clearly understood, engaging, and offer a solution to the target audience's current wants and needs. Providing a brand proposition that offers an emotionally positive solution to needs and desires along with an excellent product/service and customer support will put an indelible mark in the memory of customers, and creates brand loyalty.

### Buidling Powerful Brands

What is a powerful brand? In all industries, there are companies which do break through to capture the hearts and minds of their target consumer, engaging them and earning their loyalty for the long term. Those companies are considered category-killers, far out-pacing their competitors in shareholder value, market share, revenue and bottom-line results year-over-year. These companies achieve this success by building, and vigilantly maintaining, a powerful Brand rooted in an emotional Brand soul that resonates with customers and prospects to transcend tangible attributes that are easily replicated by their competitors.

A powerful Brand is more than a name, a logo, or a tagline.

- A powerful Brand is more than a set of products and services.
- A powerful Brand is more than a perception or image.
- A powerful Brand is a promise a company makes, and keeps...
  - To its customers,
  - To its employees,
  - To its stakeholders,
  - To its investors;
  - And, to the community in which it operates.

And, a powerful Brand delivers on that promise at every touch point, from the very first exposure to the company, through every experience and interaction with the organization, creating an unshakable bond and a level of trust that cannot be undermined, regardless of business, competitive or market challenges.

### **Brand Power: NIKE**

A sneaker is a sneaker, is a sneaker... except, of course, if that sneaker is a NIKE. NIKE has eclipsed its competition to capture the hearts and minds of the consumer, not only through product innovation, price or performance, but because NIKE provides an emotional benefit that has lasting appeal –empowerment. This emotional benefit, or Brand soul, is sustainable against all competitive attributes and allows NIKE to withstand the most aggressive challenges from key competitors. Despite category declines, NIKE revenue was up 9% in 2007 vs. 2006, and year-year profit increased by 7%. Company officials continue to credit the NIKE Brand as a major factor in these stellar results.

***Bran power:*** Coca Cola company attributes 50% of their revenue to the power of their Brand – the company’s unique emotional connection to its customers, nurtured over decades, that makes Coke more than just another cola.

The Brand generated more than \$14 billion in 2007, out of \$29 billion in total revenue. Coca Cola’s 2007 revenue was double that of Pepsi.

RC Cola, comes in as a distant third in the \$50B soft drink category, not only due to their limited business model, but also as a result of a nonexistent Brand platform.

**Godrej Challenge** Godrej, an Indian Conglomerate recently launched its new Corporate Identity and outlined a new proposition of 'Brighter Living'. The company wanted to leverage the strength of its corporate (master) brand across its diverse business and product categories in order to create a new and strong group look and feel. Godrej partnered with Elephant Strategy + Design to achieve this objective. The challenge was to infuse the new proposition of 'Brighter Living' across Godrej brands, create a clear differentiation amongst brands and at the same time be distinct enough from respective competition.

**Elephant Solution** Co creation between the Elephant and Godrej teams helped in development of the strategic approaches for each brand. The individual brand customers & category codes were understood and a visual architecture for the entire portfolio was defined. Elephant developed and designed key brand assets like brand identity, brand specific symbolic graphic elements, principles for typography, photography style, icons and illustrations for each of the brands. Team Elephant also created a standardized system through a guideline manual for each brand to ensure distinct and consistent representation of each Godrej brand in all the brand communications.

**Result** Team Elephant strategically infused new proposition of 'Brighter Living' across various brands of Godrej at the same time maintained their unique yet relevant expressions. Godrej Eon and Godrej Aerospace have now been launched with this new identity, look and feel, while other brands would be launched shortly. Team Elephant has also designed the identity of the recently announced reality show 'Godrej Khelo Jeeto Jiyo'.

## Meaning of Brand Proposition

A core component of brand development is the development of brand statement. Brand statement is often referred to as brand proposition. Brand statement reflects how each member of your organization approaches your clients and customers. It's what each member of your team says about

your organization: your focus, mindset, and essence of what you do. A brand proposition should clearly identify the benefits that a consumer derives out of your brand.

Secondary brand proposition is defined as the expression of your brand promise without using your brand statement or products. Brand promise describes the way your clients and customers will perceive your organization if you consistently live up to your brand statement.

You create your brand statement. It gives you a unifying sense of purpose. You strive to live up to your brand promise. It gives you a standard to live up to. It will be the backbone for all of your marketing messages and your strategic decisions to grow the company.

At The Sandusky Group our brand statement is “We help our clients articulate their message with confidence in ways that transform their ability to reach their goals.”

Our brand promise is we will help you communicate your excellence—better than you ever thought possible, with more fun than you would imagine.

### **Brand Promise vs Mission**

More and more we hear and read about corporations and their “brand promise.” The promise is made to the customer, is a guiding principle for company employees and in theory is reflected in the company’s approach to everything it does. While a mission statement looks inward to what a company stands for, a brand promise is external. It defines what the customer can expect from the brand and the positive impact that brand will have on a customer’s life.

In higher education, there’s a tendency to substitute mission statements for brand promises. However, it is not a good idea..

Mission statements are statements of purpose. They are long term in nature and serve to remind employees why the organization exists. A brand promise is not a statement of purpose, but a promise made to the customer. Whereas a mission statement focuses on what you are, a brand

promise focuses on what you offer in a way that matters to students.

Mission statements don't differentiate much. In fact, most colleges can swap mission statements with schools in their market category since they all share the same purpose of providing higher education. And that's the problem with substituting a mission statement for a brand promise. The purpose of a brand promise is to differentiate.

Mission statements rarely, if ever, change. A brand promise can change often in the course of a college's history. That's what we mean by re-branding. We don't mean changing the mission statement (although that can happen). We mean changing the brand promise. That's because brand promises are customer-centric, whereas mission statements are org-centric.

When you substitute your mission statement for your brand promise, you become focused on what you are rather than what you offer, and you don't differentiate your school.

Here are a few examples of what I'm talking about. Names have been changed to protect the innocent.

A solid brand promise has three basic components. It must say what it is, who it's for and why it's different. Sometimes a mission statement can accomplish the first two components. But the third component, the key component, requires you to differentiate. And mission statements don't do that well enough.

Box shows how a store has established and communicated brand promise as a part of its mission statement.

#### **Brand Promise of TARGET**

Our mission is to make Target the preferred shopping destination for our guests by delivering outstanding value, continuous innovation and an exceptional guest experience by consistently fulfilling our Expect More. Pay Less.<sup>®</sup> brand promise.

To support our mission, we are guided by our commitments to great value, the community, diversity and the environment.

### ***Expect More. Pay Less.***

Expect more of everything. More great design, more choices and more designer-created items that you won't find anywhere else. And pay less. It's as simple as that.

When we talk about our dedication to good design, we don't just mean how something looks, but also how it satisfies a need, how it simplifies your life and how it makes you feel.

### ***Community Giving***

Since 1946, Target has committed 5% of its income to support local communities. Through that continued commitment, Target is on track to reach a total of \$1 billion in education-related giving by the end of 2015.

### ***Building Strong, Healthy, Safe Communities***

Target works closely with partners to build strong, healthy and safe communities.

### ***Our Team***

Diversity is a core value throughout every area of our company. It's integral to how we select our merchandise, design our stores, build our team and welcome our guests.

*Source:* Target: Company: Our Mission [sites.target.com/site/en/company/page.jsp?contentId . . .](https://www.target.com/site/en/company/page.jsp?contentId...) - United States

## **Significance**

An ongoing investment in building and nurturing a powerful Brand, based on an emotional bond with customers, employees and stakeholders, results in documented, measurable superior returns.

- ***Brand awareness and preference*** - Increases top-of-mind awareness, preference and intent-to-do-business. Each brand has

its own set of drivers, whose importance is specific to it. Consumers invite brands and their propositions into their lives – using brands in the broadest sense – to add meaning to the acts of consumption. Marketers need a deeper understanding of what makes people invite certain brands and propositions into their lives and what makes them reject others.

- **Brand equity**- Increased perceived value of products and services, allowing price advantages, higher company valuation with stock price increases of roughly 5% to 7%, compared to competitors
- **Brand loyalty** - Increases customer loyalty, increases employee retention and attraction of the “best and brightest”. Brand proposition must be able to appeal to all senses of consumers if managers want to build and maintain customer loyalty. However, marketing communication practitioners, have difficulty unlocking the full meaning or potential of the brands’ propositions in their turfs.
- **Competition** - Insulation from competitive challenges and negative economic conditions. Increased effectiveness of advertising and marketing initiatives, allowing for lower spend.
- **Aligns brand building with organizational processes** - It is important to align the brand-building effort with organizational processes that help deliver the promises to customers through all strategic business call points.. It is important to sometimes go beyond available data and delve into people’s underlying psychology to understand how certain acts of consumption become meaningful within a given context.

### Developing Brand Proposition

A good brand proposition is simple and easy to understand. Remember, a brand proposition is promise that a brand makes and it is critical that brand’s promise is easy to understand, engaging, unique, relevant (to the target audience), and consistent. It should not only address audience’s current needs but their future aspirations from the brand. A good brand proposition should be able to connect with its audience on an emotional level. A strong emotional connection can create valuable brand equity.

## External Branding

Branding is about building a relationship and as humans we only have relationships with people and things that evoke our emotions. As such, the best brand promises are based on emotion. Just being able to articulate the emotional benefit your firm provides will distinguish you from 90% of your competitors.

You have to **SHOUT** today to be heard with so many marketing messages bombarding people from all fronts. But more importantly, what you **SHOUT** has to resonate deeply with your customer. Prospective clients need to feel that your company is going to solve their problem better than anyone else in order for them to enter into a relationship. So, what is the deep-seeded emotional benefit your company provides? Scuderia Ferrari is a great example to show what a strong emotional connection can do (see Box).

### Emotional Connect

Ferrari retail division (US\$1.5 billion revenue) capitalizes on the strong emotional connection that Ferrari brand has with its fans. *Ferrari Store* retail outlets operated by retail division are a masterpiece of branding and marketing sophistication. For example, in every *Ferrari Store*, cordoned off by a steel rope, there is an example of the Ferrari team's single-seater race car. At the entrance visitors are welcomed by the roar of a Formula 1 engine. These audio-visual elements quickly establish an emotional connection with a visitor and that's all the marketing and advertising Ferrari needs.

Source: Brand Proposition | What is Brand Proposition?

[www.amplimark.com/branding.../brand-proposition.sht...](http://www.amplimark.com/branding.../brand-proposition.sht...) - United States

A brand promise statement says what you do, for whom, and why you do it better. To get started writing your brand promise, try filling in the blanks of this statement: "We are the company that does X for Y because we do Z." Table illustrates the components.

### Elements of brand proposition

Brand	Y (target market)	Z( we do )	X ( benefit) (value)
Boost	Children	Nutrious beverage	Energy, success
Fairever	Women	Skin care	Better looks and esteem
Spencer (retail)	Shopping lovers – mid to high income groups.	Offer wide range of products and services in a congenial environment	Shopping experience and fun

Y- Our target market - Who buys from you? Your target audience may be Moms with kids under the age of 8, law firms, men who love to golf, grandparents looking to downsize, etc. The more defined your target market, the easier it is to focus your marketing.

Z- Our activities and services - It's also easy to define "Z" or why you do things better. You have that data from your research. Your customers and employees said you do something better than anyone else out there so add it to the statement.

X- The hardest part is defining "X" or what value you offer your clients, because that should be built on emotion and fulfilling a personal need.

A value proposition is the solution to your customer's problem. It goes hand in hand with the problem you are solving. I am a customer, I walk in with a problem, I walk out with a solution. The solution then is *not* your product or service, but the solution your product or service *provides*. ie: the end result, the value given to the customer.

Value propositions offer both rational and emotional need fulfillment. Smart marketers identify the emotional needs their target consumer has and then explain how their brand helps the customer fulfill those needs. Even in business settings, customers buy to satisfy an emotional need. You want the consumer to say, "This Company understands me, this is my kind of brand."

For example, remember IBM's "You'll never be fired for buying IBM." That hit at the emotional fear purchasers had when buying a computer. Back when computers were new, purchasers weren't sure what they were buying and what they really needed. "What if I buy the wrong one?" IBM helped to allay their fears. They sold a lot of computers, too.

### Ten Different Value Propositions

The following value propositions marketers make use of in competitive environment of business

- 1. Newness** - For example, we did not know *not* having a TV was a problem...until we were introduced to the TV. The value proposition examples then in this case, are newness. Newness may be your value proposition if: (i) You have a new technology (ii) You have a new invention (iii) It is very, very unique and (iv) You can't figure out what industry you are in, because nothing fits. For example, the iphone was first to market
- 2. Performance** - I-phone was a big hit. Everyone else made efforts to improving on what the iphone had. The Galaxy by T-Mobile made a thinner look-a-like. Galaxy identified what the iphone was missing, then sought to improve it. The iMac did the same to the PC. So, performance is your value proposition if: (i) Your product or service already exists (ii) You are bigger, (iii) You are better and (iv) You are faster.
- 3. Customization** - This is the value proposition that the majority of small business owners offer. Products or services are made or recommended just for you. Today, technology has allowed us to scale this model, which wasn't available before. Customization might be your value proposition if: (a) Your technology recommends products or services based on the *specific* customer (like how Amazon recommends books).(b) Products or services designed for a *specific* customer.
- 4. "Getting the Job Done"**- Getting the job done is one of those really important value proposition examples. Getting the Job Done" may be your value proposition if: (a) Your product or service enhances a customer's productivity, like internet marketing software, HubSpot.

5. **Design and Usability** - This is becoming more demanding in technology and electronics where customers expect this value proposition built into functionality. Superior Design or Usability may also be your value proposition if (a) You are in the fashion industry (design), (b) You are in the design industry (that was easy...)and ( c) Targeting a customer where design and usability are important.
6. **Price** - Price is a big one. The majority of customers will be price conscious, to some extent or another. Best-in-class value doesn't always mean lowest price, however, but rather the best quality-to-price ratio. Jet Blue is a good example of a company that, though it may not offer the cheapest or best in comfort travel, does a good job of communicating its value relative to its price point. Dell, Chipotle, Ikea, and Toyota are other good examples of best-in-class value, and their value propositions have been sustainable through the years. There are luxury providers that promise the experience of a wealthy lifestyle to aspirational consumers. Ralph Lauren is one of the masters of a lifestyle luxury brand; others are Rolex, BMW, and Hermes. While the luxury segment was hurt during the downturn, it is almost certain that as the economy rebounds that customers will return to luxury goods as their discretionary spending increases.
7. **Reducing Costs** - Reducing a customer's cost is always a great value proposition. People are always looking to save money. The insurance companies are eating this up right now with the economy as an "easy way to save money". Cost Reduction may be your value proposition if ☺a) You reduce your customer's cost and (b) You can save them money by switching services (Geico focuses on this value proposition).
8. **Reducing Risk** - Reducing risk is an insurance company's core value proposition. Anytime you buy insurance, that's what you're paying for.
9. **Accessibility and Convenience** - Why do we go to the convenience store around the corner, instead of the cheaper grocery store 15 minutes away? Convenience. It's easily accessible. This might be your value proposition if: You can stay in front of your customers or you combine products or services (like Super Walmart).

10. **Status** - Status may be your value proposition if You are well known. You've purchased something well known (JcPenny bought Liz Claiborne) or maybe you can create a brand that is powerful & unique.
11. **Must have** - One of the most attractive value propositions we have seen and studied are the "must-haves." These include basic goods — certain foods, for instance. During my prior work with Thomson Reuters, we often talked about "must-have" content that business professionals could not do their jobs without. The critical legal information and tools WestLaw provides to lawyers are an example. As long as there are legal cases, there will be a need for legal information. It does not mean there will not be competition, but if the category you are pursuing is must-have, then the market leaders will have a great prize to share.

### Examples of Value Proposition

Here is a few examples of value propositions.

**Business Consultant:** Our clients grow their business typically by a minimum of 30-50% over the year while cutting costs by 35%.

**Hubspot:** B2B companies recognized a 61% lower cost per lead and increased their organic traffic and lead conversions by an average magnitude of six-fold in 6 months.

**Sales Trainer:** I help salespeople crack into corporate accounts, speed up their sales cycle and win big contracts. One of my recent clients won a verbal commitment for \$5M in business in just 90 days.

**Internet Marketing Company:** Our products help people leverage the internet to triple their market reach and cut marketing costs in half when launching new products.

### Need for Internal Branding

External branding is about what the company offers to consumers and internal branding is what company prepares employees and systems to do to fulfill the promises.

The best brand promise any retailer can make is a guaranteed memorable customer experience. Many retailers like to think they do this. They claim that they make parents feel less guilty by helping them plan and enjoy time with their kids to create memories and help them feel like good parents.

But the shopping experience tells us that isn't the case. It's not easy to deliver that memorable experience unless you are specifically trying to do so. The reason is that those who create these brand promises fail to realize that ultimately the promise is kept or broken by the frontline employee. Much like a mission statement, it's just words until the rubber meets the road. For any retail brand promise to be kept, all frontline employees must understand the promises and the actions they must take to fulfill them. If a retailer promises friendly and helpful employees then the store staff must engage the customer in an upbeat and friendly manner.

Often the barrier to keeping these promises is put up by the very same executives who've created the promise. Many retailers have an "easy returns" brand promise for their customers but at the same time penalize store managers for having too many returns. When an internal policy, guideline, or metric is in conflict with a brand promise the promise will inevitably be broken.

Some brand promises are assumed by the customer even if the retailer doesn't state them. Customers assume that independent retailers give better service but have higher prices. Either may or may not be true.

While any one of your brand promises can help you attract a new customer, breaking any of your promises can lose them. Retailers probably lose more customers to a broken promise than they know. This is why it is so important to measure how well you are executing your brand promise. Many retailers know the results of the promise (sales) or how well they are keeping the various facets of the promise for a few customers (mystery shops), but without data directly from the customer or feedback from the frontline it's tough to measure exactly how your promise is holding up.

Take a sheet of paper and draw three columns. In the first column list the brand promises you've stated to your customer and the ones they are likely to assume. In the middle column list the accompanying frontline

actions that you've communicated to your employees and trained them to take. In the third column, list the measurement, metric, or frontline feedback you use to measure how well you keep your promises. Table presents the tool.

**Brand proposition management**

Brand promises	Front line actions	Results (Metrics )

Source: Keeping Your Brand Promise, [www.dynamicexperiencesgroup.com/.../...](http://www.dynamicexperiencesgroup.com/.../)

**Internal Branding**

Internal branding refers to entire philosophy and practice of relentlessly imbibing brand values in the employees of the organization. While Japanese companies (like Honda) knew this as an integral part of every employee's cultural upbringing, other companies weren't particularly focused on the issue. Yet, during the last five years, companies globally have started putting forth initiatives to improve their internal branding.

Since 2005, Pedigree, from the stable of Mars International, has set aside 30% of their \$200 million global marketing budget, on an average, for an internal campaign to turn its 35,000 plus employees into brand ambassadors. Its management believes that a seamless internal brand environment supported with external marketing strategies for the brand acted as a catalyst to boost annual global retail sales of \$3 billion for Pedigree. The employee-led initiative aimed to make the office more dog friendly and the company also introduced new business cards and office murals that featured employees' dogs. Starbucks gives internal branding another name. They term it 'Internal Communication'. The process goes much beyond the traditional HR and news updates; and exhorts Starbucks' 1,35,000 employees spread across the world to deliver on the brand promise. It's a continuous process in place by which Starbucks ensures that the employees understand the "who" and "why" behind the Starbucks brand proposition.

However the concept of internal branding didn't have an easy go at the initial stages in India Inc. For example in Pedigree India, employees started realising the importance of having a pet dog for their business

very late. The fact that 'every' employee impacts – in some form or the other – on how the world views their company's promise and personality, is something that Indian business houses are realizing only lately. The 113 year old Godrej Group, which realised that it had started giving off the perception of a yesteryear brand. Adi Godrej accepts that the marketing teams of various consumer brands of Godrej somehow failed to promote the mantra of a powerful 'modern' brand like Godrej.

Quick and fast, they started changing and responding aggressively enough to the intense competition with a special makeover of the employees to ensure the common values of the brand Godrej. Evidently, employees did wonders in terms of representing the brand promise for Godrej – given their renewed activation in the mass perception as a modern brand.

Without question, employees are the faces of the brand, right from the sales executives and channel partners who take the brand to the customers, the receptionist who receives calls from outsiders, the accountant who represents the company in his neighbourhood. It's a must, therefore, to engage the staff right from the launch so that all employees have an up-to-date and deep understanding of the brand.

In another example, this is something that Coca Cola India has religiously followed. Consider its foray in the energy drink segment – Burn. Even on the day of its launch on December 1, 2009, Ricardo Fort, VP-Marketing, India and Southwest Asia, and his team appeared to personify the brand values to the hilt, as they were able to beautifully articulate the energetic and youth appeal of the brand. "Attitude wise, dress wise and even while interacting with the public, the Burn team was groomed to understand the energy of Burn and its connection with parties.

"One needs to do internal branding – that is, to create a mindset aligned with the newly defined brand – before creating the brand for the public; and for that, it's important that you involve the team entirely from day one of creating the brand," feels Monica Oswal, Executive Director, Oswal Woollen Mills, which has created brands like Monte Carlo. For the recent brand launch of the group, which is for women, Monica took all necessary inputs from her team before creating the brand. And since the brand was for the modern woman, a majority of the designing team were women. Christened 'Alpha', employees started donning and creating a buzz about the

brand before its new ad campaign was aired. And the impact, as brand analysts claim, is that unlike Monte Carlo's entry into various other segments and despite the compromise made with its earnestly generated USP as a winter wear brand, Alpha has generated a strong response as a feminine brand. A study conducted by asset management firm Standard Life shows that the employees who felt part of the business and understood its brands were willing and able to contribute their best to achieving the organizational goals.

### **Summary**

Companies seeking to experience long-term success will have to create and inject the brand proposition into the psyche of teeming consumers in a creatively compelling style. Brand statement is often referred to as brand proposition. Brand statement reflects how each member of your organization approaches your clients and customers. Brand promise describes the way your clients and customers will perceive your organization if you consistently live up to your brand statement.

The promise is made to the customer, is a guiding principle for company employees and in theory is reflected in the company's approach to everything it does. While a mission statement looks inward to what a company stands for, a brand promise is external. It defines what the customer can expect from the brand and the positive impact that brand will have on a customer's life. The following benefits establish the relevance and importance of brand proposition- drives consumer to buy, fosters loyalty, aligns brand building with organizational processes, and help use creativity in a right way.

The best brand promises are based on emotion. A brand promise statement says what you do, for whom, and why you do it better. To get started writing your brand promise, try filling in the blanks of this statement: "We are the company that does X for Y because we do Z. Value propositions offer both rational and emotional need fulfillment. Value propositions may emphasise on: newness, performance, customization, getting the job done", design and usability, price, reducing costs, reducing risk, accessibility and convenience, status, and must have. While external branding is about what the company offers to consumers and internal branding is what company prepares employees

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## Lesson 2.3 - Brand Name

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Understand the importance of name for brands
- Know how are brands named
- Examine the effectiveness of existing brand names

### Introduction

Branding is the collection of attributes that attract a product, which will strongly influence their buying patterns. Branding can be achieved using a company name - it can be applied generically or, as in the case of Kit Kat, on an individual basis. The brand name promises the consumer particular benefits, such as quality and value for money, with these expectations being built up over many years. A brand name is often considered by a company to be its most important intangible asset. In a market where repeat purchases are the key to profitability, a brand name becomes paramount to a product's success.

### Importance

After the invention of advertising, in 1930 the concept of brand name emerged. What's in a name? More specifically, what's in a brand name? A brand name is a specific notation, or word for a product or service. It is a trademark that identifies a brand. It comes under the proprietary rights of a company. A brand name serves a variety of purposes for both the firm and the consumer (Meyers-Levy 1989).

**Identity-** Brand name is an important one for establishing identity. In fact, if a company is expanding internationally then it becomes necessary for the company to adopt such a brand name and logo which can prove an excellent identity for the company.

**Brand lovers-** Have you ever noticed that people who are brand conscious always love to use branded products which have a brand name on it? More than just a label, a brand name is a complex symbol providing a variety of associations for the consumer (Zinkhan and Martin 1987)

**Impression** – Brand name makes an indelible impression on the mind of consumer. If you think for a while about fast foods, comesto your mind the names of McDonald, and Pizza hut. After making a strong brand positioning, brand name of the company becomes a powerful memory aid.

**Image** - Images play an important role in influencing the way that consumers respond to products and services. Similarly, brand name plays a key role in consumer decision making, often through decision-making heuristics or through inferences about quality. In this sense, brand name is one way that brand image is communicated to consumers.

**Emotional and social value** - From a consumer's point of view, a set of brand name associations may represent an accumulation of knowledge about the brand along with accompanying emotions and affect. Such associations go beyond simple product inferences and evaluations; and brand names can serve a valuable social function by promoting feelings of group affiliation through brand identification (Friedman 1991).

### **Types of Brand Names**

Once the decision is taken to offer a brand name to the product, the four alternative approaches to naming have to be given attention.

1. Individual names
2. Individual names with company names
3. Product group family name
4. Blanket family name

### **Individual Names**

The policy envisages a separate brand name for each individual product. This can be done with or without associating the company trade name.

### Individual Names without Company Name

Table summarizes the merits and demerits of individual names without company name. The examples are:

Godrej	Cinthol, Marvel, Ganga
HUL	Lifebuoy, Liril, Lux, Pears
P&G	Peposdent, Ariel

### Merits and Demerits of Individual Product Branding

Merits	Demerits
Since decisions are individual product based, restrictions are less.	Too many names may lead to confusion.
Failure of the product will not have adverse effect on other products.	Company name will not be known to consumers.
Company can freely resort to upward and downward stretch.	The image of successful brands cannot help other products (brands).
Allows opportunity to give names that have unique associations.	Development costs are high.

### Individual Names with Company Name

Some companies prefer to tag individual brand names with the company trade name.

Ponds	Ponds Dream Flower Talc, Ponds Magic
TVS	TVS 50 XL
Wipro	Wipro-Shikakai

The merit of this decision is that the company name becomes popular. It helps to sell other products. However, the negative point is product failures tarnish the image of the company.

### **Product Group Family Name**

Multi-product group companies may choose to name different groups with different family brand names. Raymond textiles for instance has named Raymond for textiles and Park Avenue for ready-made shirts, shoes and toiletries.

Group names help to promote a group of products. Hence, development costs are less. The failure of a product will have limited negative impact only on its group. It permits different groups to develop different psychological associations and evokes appropriate responses.

### **Blanket Family Name**

This policy advocates naming all the products of a company with one name-family brand name. Examples are: Usha( Fans, sewing machines, industrial pumps), Nirma( Detergent, toothpaste, soap) and Colgate( Dental cream, toothbrushes)

When the company name is promoted with all products, a sort of company image is created and it helps new products get instant recognition. It saves time and money during product launch. Also, the benefit of image created by the CSR programmes of the company will add strength to the brands. However, unsuccessful products may dilute the company image.

### **Naming Approaches**

Name is the foundation of your brand. Once in the market, your brand name will greatly determine your position in the fight for consumers. Far more than just a series of letters, a successful brand name can help your product survive for a long time if it is able to stand the test of time. But how does one come up with such a brand name?

The following steps may be adopted:

1. Research for knowing associations that consumer may have with the product
2. A workshop or brainstorming session to generate brand names ( analysis of several names provides a basic understanding of brand

names. Alternatively or simultaneously brand name contests may be conducted.

3. Evaluate them based on criteria of good brand name.
4. Select a few candidates and test them with audience.
5. Finalize a name that is ranked high by consumers, management and supply chain members.

**Research** Best practices for brand name research are given here.

- **Use research** - Use the latest available brand name research techniques. Get the most out of your company name or product name investment by using state-of-the-art brand name research techniques to effectively measure and project emotional bonding power, memorability, latent association, fit to concept, pronouncability and sonorous properties.
- **Have large sample data**- Organize a broad based research. Do not rely on focus groups alone. Company names or product names that are tested in focus groups tend to weed out the weak names, but do not guarantee selection of the winning names.
- **Prefer qualitative research** -Go for quality, not quantity. Brand name research for a large number of corporate names or product names with your target is a powerful temptation. However, experience shows you that good results are possible with only a handful of strong name candidates.
- **Test with audience** Test the name with the right audience. Your new brand name must resonate with your target market. Not the marketing department. Not upper management. Not the founding fathers. Get emotional feedback, not just facts and figures. Even among the target market, naming can be a popularity contest. But since research imitates life, the popularity of company names and product names is usually due to a variety of emotional reasons.

## Generating Names

A workshop may be conducted for generating brand names Brand names come in different styles because each brand is unique and functions for different marketing strategies. An understanding of the different names will be of help.

**(i) Brands names that are based on specific traits**

Descriptive	Names indicating the product characteristics	Close-up, Glucovita, Band-aid, Ganga, Babool, Doordarshan, Frooti, Fair & Lovely, Fairever, Airbus or Whole Foods, General Motors.
Suggestive	Indicates what the product is	Flora, Whisper, Surf, Pepsi, Visa, Limca, Tropicana, Sunsilk, Crush, Digene, Pampers.
Evocative	Invoke a vivid image that alludes to a brand benefit	Crest, Amazon, London Fog,
Fun	Create excitement	Yahoo,
Free riding	No core meaning or association	Fidji, Kodk Exxon, Xerox,

**(ii) Brand names associates with persons or places**

Founder's names	Walt Disney, Hewlett Packard, Godrej and Tata
Geography, named after landmarks and regions	Fuji Film, Cisco, Hamburger — named after Hamburg, Germany and oil of Malabar, Darjeeling tea, Mysore sandal
Personification – derive brand names from legends	Nike, Betty Crocker, Peter, Tom, Ning, Green Giant, Midas Mufflers.
Fabricated or vague origin	Bebo, Odeo, Zimbra, Spanx

**(iii) Based on use of words**

Acronym	IBM, UPS, AOL, AXN, AFLAC, M&M, LG
Foreign word	Nokio, Samsung and Volvo
Real words	Apple, Click, Gather
Compound	Bubble share, Tail rank, Jump cut Labor Fair
Phrase	Alltop, StumbleUpon, DoorOne, LinkedIn,

Blends or fusions	Technorati, Brandscendence and Wikipedia
Tweaked words	eSnips and iPhone
Affixed words	PostSecret
Fanciful or absolute bizarre	Tandango, Qoosa, and Fandango
Puns	Tongue Fu, Farecast, Consumat-ing, LicketyShip
Neologisms (completely new made-up word)	Kodak Wii, Verizon
Alliteration and Rhyme	Dunkin' Donuts, Reese's Pieces, Nutter Butter, YouTube, Piggly Wiggly, Cracker Jack.
Mimetics (Use alternative spellings for common sounds)	2(x)ist, Krispy Kreme.
Appropriation( Use the idea for one thing and apply it to another)	Caterpillar, Reebok.
Onomatopoeia (Use a sound associated with a product function or other brand idea)	Twitter, Meow Mix.
Metaphoric	Explorer, Navigator, Safari etc.

#### (iv) Product and use associated

From existing brand	Good Knight Supermat, Surf excel, Britannia Marie Gold
Product contents	Dettol, Castrol, Robin blue, Medimix, Mysore sandal
Product context	Cofitos, Lemoneez,
Product quality	Kohinoor Basmati rice, Tata Sudh
Product action	Raid, Hit, Cooklite
Product benefit	Fair & Lovely, Smyle, Itchguard, All out

### Evaluating Brand Name

Marketers should select a good brand name to the product they offer to the consumers . . . A good name can add greatly to a product's success. Good qualities of a brand name may include the following.

- **Easy to understand** - James Dettore, President of the Brand Institute in Boston says, “First, it should be able to communicate on its own without a lot of advertising. The name should suggest something about the benefits and qualities of the product. Take examples such as Craftsman, Snuggles. Performa Alevé, America Online). However, there are instances when companies come up with brand names that don’t seem to make any sense until broader identity building programs are built to support it (i.e. Foster’s Lager ESPN, Tide laundry detergent).
- **Easy to pronounce** - It should be easy to pronounce, recognize and remember the name and therefore, short names may help. E.g. Tide, Crest etc.
- **Easy to remember** - Aside from making sure that consumers from all ethnic backgrounds understand and relate to your product, it is highly important that you come up with a brand that’s timeless, unforgettable and easy to market. For this, it should be distinctive and short. E.g. **Kodak**, Lexus
- **Easy to translate** - The name should translate easily into foreign languages. Over the years, various companies coming from all sorts of industries have committed translation blunders when they failed to check their brand names’ translation in other languages. One good example of this is the marketing faux pas of Chevy Nova. The car didn’t fare very well with Latin consumers because its name, when translated to Spanish means “It doesn’t go.”
- **Neutral and positive** – Brand name should have neutral to positive associations around the world, in various languages. Because of the high ethnic influences in different parts of world, you still have to have a name that crosses over many ethnic and language barriers.
- **Represent values**- If possible, the brand should also compliment the overall core values of the company. For example, the highly popular diaper brand Pampers is a perfect name for the Procter & Gamble brand. It doesn’t take a rocket scientist to positively associate the two.
- **Easy to protect** - Once the brand name is chosen it must be protected. It should not infringe on existing brand names so that the registration of the name and legal protection will be possible..

Many originally protected brand names such as linoleum, thermos, nylon, cellophane have now become generic names which can be used by any seller.

- **Easy to extend**- It should be extendable in the future. The great example is Amazon.com who began as an online bookseller.

When some brand names are shortlisted for final selection, they are to be verified by using a scoring instrument. Exhibit present a brand name effectiveness measuring instrument.

### Name DNA Validation® Score

For the statements given below if your answer is YES please place Y in the response column. Otherwise, write N to indicate NO.

S.No	Dimension	Statement	Response
1	Emotional bonding	Product name is decided connecting with the target market.	
		Product name arouses emotions of target buyers.	
2	Memorability	Target market can recall the new product name after seeing it just once.	
3	Latent association	Symbolism or phonosemantics (the meaning of sounds) generate positive association	
4	Fit to Concept	Brand name best positions the product offering	
5	Pronouncability	Target users can pronounce the brand name without difficulty.	
6	Sound symbolism	The product name sound right to the target customers	

Source: Modified version given in Brand Name Research | Strategic Name Development, [www.namedevelopment.com/brand-name-research.htm](http://www.namedevelopment.com/brand-name-research.htm)

**Select and test** Based on the evaluation, brand name is selected, which is consistent with logo, brand character, slogan and advertising. Verification for legal validity and protection is made before finalizing the selection of the brand name.

### Multiple Why Technique

Research helps secure consumer responses to various questions on the use and perceptions of consumer. Exhibit shows how it helps find fit name for a product say, edible oils. Consider the nine brands- Sundrop, Sweekar, Dhara Helath, Flora, Godrej, Cooklite, Shaktiman, Gold winner and Gemini. Different names fit with different perceptions of customers.

Based on content Sundrop is right. Based on process benefit Cooklite is appropriate Based on perceived health benefit Dhara Health is a sound choice. Based on extended thinking of benefits Shakti is right choice. Based on benefit to life- Gold winner is recommended.

#### Naming brand using consumer insights

Questions	Response	Insight	Brand name
Which oil do you use?	Sunflower	Sunflower	Sundrop
Why?	Good oil	Good	-
Why? (it gives)	Good for health	Health	Dhara health
List the benefits	Less quantity to cook Less sticking to food Light oil	Economy Low cholesterol Light	Cooklite
Why?( it helps)	Active Energetic Normal life	Energetic	Shakti
List ultimate benefits	Winner, Shaktiman, Hanuman,Athlets, Cricketers, tiger, Acton heroes.	Personality	Gold winner

#### Case:creative Process for Colgate Wisp

Consider the recent work of Lexicon- a consultant for Colgate, which was preparing to launch a disposable mini toothbrush.

**Product-**The center of the brush holds a dab of special toothpaste, which is designed to make rinsing unnecessary. So you can carry the toothbrush with you, use it in a cab or an airplane lavatory, and then toss it out.

**Insights** - Lexicon founder and CEO David Placek's first insight came early. When you first see the toothbrush, Placek says, what stands out is its small size. "You'd be tempted to start thinking about names that highlight the size, like Petite Brush or Porta-Brush," he says. As his team began to use the brush, what struck them was how unnatural it was, at first, not to spit out the toothpaste. But this new brush doesn't create a big mass of minty lather — the mouth feel is lighter and more pleasant, more like a breath strip. So it dawned on them that the name of the brush should not signal smallness. It should signal lightness, softness, gentleness.

**Brainstorming** - Armed with that insight, Placek asked his network of linguists — 70 of them in 50 countries — to start brainstorming about metaphors, sounds, and word parts that connote lightness. Meanwhile, he asked another two colleagues within Lexicon to help. But he kept these two in the dark about the client and the product. Instead, he gave this team — let's call them the excursion team — a fictional mission. He told them that the cosmetics brand Olay wanted to introduce a line of oral-care products and it was their job to help it brainstorm about product ideas.

Placek chose Olay because he believed that beauty was an implicit selling point for the new brush. "Good oral care means white teeth, and white teeth are better looking," Placek says. So the excursion team began to come up with intriguing ideas. For instance, they proposed an Olay Sparkling Rinse, a mouthwash that would make your teeth gleam.

**Selection-** In the end, it was the insight about lightness, rather than beauty, that prevailed. The team of linguists produced a long list of possible words and phrases, and when Placek reviewed it, a word jumped out at him: *wisp*. It was the perfect association for the new brushing experience and it tested well; it's not something heavy and foamy, it's barely there. It's a wisp. Thus was born the Colgate Wisp.

## Summary

Branding can be achieved using a company name - it can be applied generically or, as in the case of Kit Kat, on an individual basis. After the invention of advertising, in 1930 the concept of brand name emerged. A brand name is a specific notation, or word for a product or service. A brand name serves a variety of purposes for both the firm and the consumer –creates identity, relates with brand lovers, makes impression, creates image, and adds emotional and social value. Four approaches to naming are: Individual names, Individual names with company names, Product group family name and Blanket family name.

Naming involves the following steps: Research for knowing associations that consumer may have with the product, organize a workshop or brainstorming session to generate brand names and /or conduct brand name contests, Evaluate the names based on criteria of good brand name, select a few candidates and test them with audience and finalize a name that is ranked high by consumers, management and supply chain members.

Good qualities of a brand name may include the following criteria:  
Easy to understand,,,,,

Easy to pronounce, Easy to remember, Easy to translate, Neutral and positive Represent values, Easy to protect and Easy to extend. Multiple why technique or qualitative research helps secure consumer responses to various questions on the use and perceptions of consumer and select right name.

Strengthening a brand involves designing identity and communicating it consistently to the audience with the goal of establishing relationships.

In most cases, identity design is based around the visual devices used within a company. The visual devices include: A Logo (The symbol of the entire identity & brand), Stationery (Letterhead + business card + envelopes, etc.), Marketing Collateral (Flyers, brochures, books, websites, etc.), Products & Packaging (Products sold and the packaging in which they come in), Apparel Design (Tangible clothing items that are worn

by employees), Signage (Interior & exterior design), Messages & Actions (Messages conveyed via indirect or direct modes of communication),etc.

All of these things make up an identity and should support the brand as a whole.

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## Lesson 2.4 - Brand Awareness

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### Learning Objectives

*After studying this chapter, you will be able to:*

- Explain the concept of brand awareness
- Discuss its importance in the purchase process model
- Know the metrics of brand awareness
- Recognize the approaches to measure brand awareness.
- Appreciate brand awareness creation strategies of some firms

### Introduction

The ultimate goal of most businesses is to increase sales and income. For this customers are to be informed, attracted and motivated to make trial and repeat purchases. In the purchase process, the customers will be on look out to know what needs they have on one side and which products can satisfy the needs. In this information search process, they become aware of brands and pay attention to them depending upon their attributes, features and benefits. As such, marketers have to create and measure brand awareness, to ensure better consideration of their brands by target consumers.

### Concept

Creating brand awareness is one of the key steps in promoting a product. What is brand awareness? Brand awareness is a marketing concept that enables marketers to quantify levels and trends in consumer knowledge and awareness of a brand's existence. At the aggregate (brand) level, it refers to the proportion of consumers who know of the brand.

Brand awareness refers to customers' ability to recall and recognize the brand under different conditions and link to the brand name, logo, jingles and so on to certain associations in memory.

Investopedia defines brand awareness as the likelihood that consumers recognize the existence and availability of a company's product or service.

## **Importance**

Brand awareness is of critical importance since customers will not consider your brand if they are not aware of it. It is very important to marketers to promote sales and build customer relationships.

### **(a) Benefits to Customers**

Brand awareness plays a major role in purchasing decisions

- It helps the customers to understand to which product or service category the particular brand belongs and what products and services are sold under the brand name.
- It helps customers know which of their needs are satisfied by the brand through its products

### **(b) Benefits to Marketers**

Marketers require an understanding of how the brand communication has influenced the mind of consumers and leading them to recognise, consider, evaluate and select their brand.

“Awareness, attitudes, and usage (AAU) metrics relate closely to what has been called the Hierarchy of Effects, an assumption that customers progress through sequential stages from lack of awareness, through initial purchase of a product, to brand loyalty.” In total, these AAU metrics allow companies to track trends in customer knowledge and attitudes. Table and the types of sales oriented objectives and kind of actions firms take. After taking the decisions and implementing them, there is a need for evaluating them in terms of outcomes.

### Types of Sales Oriented Objectives -Existing product

Type of Sale Increase	Media decision	Creative Content decision	Example
Existing Product to Existing users	Maintain insertions in current media	Suggest new uses for your product, or reasons for more frequent use, building on existing contacts and goodwill.	DETTOL Antiseptic advertised on the different usage of the product, like for washing baby's clothes, for shaving, etc.
Existing Product to New users	Consider new media	Explain the basic benefits of your product, and your company record, to people unaware of them.	PHILIPS, launched their colour television sets in rural markets as a superstar brought home.
Existing Product to users of rival products – Brand switching	Consider competitors media patterns	Comparison campaigns pointing out the advantages of the product over rival brands and of changing established buying habits.	FAIREVER advertised to switch the Fair & Lovely users to its product by emphasizing unique combination of saffron and milk.

### Types of Sales Oriented Objectives -New product

Type of Sale Increase	Media decision	Creative Content decision	Example
New Products to Existing Customers	Maintain insertions in current media	Explain basic benefits, building on existing contacts and goodwill.	LAKME introducing new products like Sunscreen lotion, Moisturizer with Peach Flavour, Winter Cream Lotion with Strawberry ingredients, etc.
New Products to New Users	Consider new media	Explain the basic benefits of your product, and your company record in other fields.	FA and NIVEA introducing products for men.

Type of Sale Increase	Media decision	Creative Content decision	Example
New Products to customers of competitors	Consider competitors media patterns	Explain basic benefits and overcome established goodwill.	PEPSI AHA aimed at advertising itself in bars in order to switch the alcohol drinkers to use Pepsi Aha instead of Thumbs Up as their mixer in the drink.

### Awareness Creation Challenges

The challenge of creating brand awareness is found in companies for various reasons.

- (i) New company entering market for the first time with a new brand
- (ii) New company entering market acquiring a known brand
- (iii) Existing company introducing new brand
- (iv) Existing company entering a new market with an existing brand
- (v) The existing brand has low awareness despite marketing communications
- (vi) Acquisitions - When a company acquires another one may force its name on the acquired company's products, though the acquired company's brands have much higher awareness and positive associations than the acquiring company's brand(s).
- (vii) Management changes - A new marketing VP changes something just to put his own mark on it regardless of whether the existing logo or tagline or marketing campaign was working well or not.

### CASE: JVC Awareness Campaign

Victor Company of Japan (JVC) has tied up with electronics major Fedders Lloyd to bring a wide range of its products into India.

#### Target Market

The entry is prompted by the recognition of opportunity. The Indian economy is growing significantly and income levels have gone up

tremendously. India has a huge chunk of well-educated professionals who are increasingly getting influenced by fashion and style. Global brands are getting more recognition as purchasing power of people is also growing. In India, almost 70% of the population is under the age of 35 years. Since purchasing power of the working group falling under this age bracket is increasing at a fast pace, we feel that our products would be appropriate for this section of society.

### **Tie Up**

Since Fedders Llyod has a strong presence in the consumer electronics category nationally and globally, the partnership with the company is viewed beneficial. With this partnership, JVC plans to build an organizational structure that would create awareness for its products and expand sales in India. Fedders Lloyd will market and sell the consumer audio and video products of JVC through their nation-wide network of dealers.

Being a new entrant they are open to all retail and distribution options to position its brand in India. They are looking for strategic tie-ups with many big retail players of the country.

### **Task**

The major task would be to familiarize the dealers with the products and convince them for partnerships for the purpose of distribution. Through advertising and promotions JVC plans to reach out to the consumers to win their faith. They want the consumers to understand the benefits of their products.

### **Products and Position**

Plans are designed to offer entire range of JVC products such as camcorders, LCD televisions, audio systems and accessories. Since they have just entered India, they don't want to rush through. They have studied the market well and want to focus on every aspect of business which includes sales, marketing and service. They would initially invest heavily in creating brand awareness across the country. Together, Fedders Lloyd and JVC would initially invest close to \$30 million to market and

advertise JVC brand in India. The aim is to position JVC as a premium brand in future.

### **Traditional Measures**

Many large companies use expensive brand tracking studies to understand the impact of their marketing efforts toward building awareness and generating customers.

Panels and surveys can be conducted to provide detailed data on metrics like aided and unaided awareness, sentiment analysis, loyalty, etc.

Brand awareness is accessibility of the brand memory. Awareness is measured by Recall and Recognition. Brand awareness studies are most useful when the results are set against a clear benchmark such as data from prior periods, different markets, or competitors. In a survey of nearly 200 senior marketing managers, 61 percent responded that they found the “brand awareness” metric very useful.

“Marketers evaluate various levels of awareness, depending on whether the consumer in a given study is prompted by a product’s category, brand, advertising or usage situation.”

In common market research practice a variety of recognition and recall measures of brand awareness are employed, all of which test the brand name’s association to a product category cue. This came about because most market research in the 20th Century was conducted by post or telephone. Actually showing the brand to consumers usually required more expensive face-to-face interviews (until web-based interviews became possible).

#### **(i) Heard or Seen**

*No awareness* – It represents consumers who have not heard the brand name or seen the product.

*Awareness* - Specifically, awareness is “the percentage of potential customers or consumers who recognize—or name—a given brand.

Typical questions might be “Have you heard of Brand X?” or “What brand comes to mind when you think ‘luxury car?’”

*Aided Awareness* occurs when a consumer is shown or reads a list of brands, and expresses familiarity with your brand only after they hear or see it as a type of memory aide.

**(ii) Recognition**

Brand recognition is the ability of consumer to recognize prior knowledge of brand when they are asked questions about that brand or when they are shown that specific brand, i.e., the consumers can clearly differentiate the brand as having being earlier noticed or heard.

Brand recognition is the extent to which a brand is recognized for stated brand attributes, parts, offerings, or communications.

For example, if a product name can be associated with a certain tagline, logo, or attribute (safety and Volvo; “Just do it” and Nike), a certain level of brand recognition is present.

Consider this inquiry

Question: Taste the drinks and tell me the brand names?

Answer after tasting: This is Coca Cola. This is Pepsi. This is ThumsUp.

Table presents various elements of a brand that stimulate senses of consumers and occupy a place in the mind.

**Brand elements for creating awareness through senses**

Senses	Element	Description
Ears and eyes	Name	The word or words used to identify a company, product, service, or concept. Coca cola
Ears and eyes	Logo	The visual trademark that identifies the brand
Ears and eyes	Tagline or Catchphrase	The Quicker Picker Upper” is associated with Bounty paper towels. “Can you hear me now” is an important part of the Verizon brand

Senses	Element	Description
Ears	Sounds	A unique tune or set of notes can denote a brand. NBC's chimes are a famous example.
Eyes	Graphics	The dynamic ribbon is a trademarked part of Coca-Cola's brand
Eyes	Shapes	The distinctive shapes of the Coca-Cola bottle and of the Volkswagen Beetle are trademarked elements of those brands.
Eyes	Colors	Owens-Corning is the only brand of fiberglass insulation that can be pink.
Eyes	Movements	Lamborghini has trademarked the upward motion of its car doors
Tongue	Tastes	Kentucky Fried Chicken has trademarked its special recipe of eleven herbs and spices for fried chicken.
Nose	Scents	The rose-jasmine-musk scent of Chanel No. 5 is trademarked

*Source:* Developed based on Brand - Wikipedia, the free encyclopedia, [en.wikipedia.org/wiki/Brand](https://en.wikipedia.org/wiki/Brand)

## Recall

Brand Recall is the extent to which a brand name is recalled as a member of a brand, product or service class, as distinct from brand recognition. Brand recall is the potential of customer to recover a brand from his memory when given the product class/category, needs satisfied by that category or buying scenario as a signal. In other words, it refers that consumers should correctly recover brand from the memory when given a clue or he can recall the specific brand when the product category is mentioned. It is generally easier to recognize a brand rather than recall it from the memory.

Recall can be measured for two things –depth and width. Depth refers to the number of people who can recall. Width refers to the cues that lead to recall. Typical cues can be who, where, when and how the brand is bought.

For instance take Mirinda.

- Subcategories are: beverages/soft drinks /orange juices/carbonated water.
- Consumption occasion- relaxation, celebration or socialization,
- Places- restaurants, beaches, parks and meetings.
- People- drink alone, friends, officials.

The different approaches to recall are given here.

1. **Aided recall** - Marketers may research brand recognition on an 'aided' or 'prompted' level, posing such questions as, 'Have you heard of Mercedes? Aided brand awareness can be measured by showing a consumer the brand and asking whether or not they knew of it beforehand.
2. **Unaided' or unprompted awareness**- This is measured by posing such questions as, 'Which makes of cars come to mind?'"
3. **Top of mind awareness or spontaneous brand recall**-This is said to exist when only the first brand recalled is recorded.
4. **Top-of-Mind Awareness** occurs when your brand is what pops into a consumers mind when asked to name brands in a product category. For example, when someone is asked to name a type of facial tissue, the common answer is "Kleenex," which is a top-of-mind brand.
5. **Strategic Awareness** It indicates that a brand is not only top-of-mind to consumers, but also has distinctive qualities that stick out to consumers as making it better than the other brands in your market. The distinctions that set your product apart from the competition is also known as the Unique Selling Point or

### **Brand Awareness Research**

Awareness level measures whether consumers know about and are familiar with a company, organization, product, or service. Five business benefits of tracking brand awareness are outlined here.

1. Brand awareness research enables your company to quantify the aggregate impact of its awareness marketing initiatives.

2. Brand awareness research trends serve as a great indicator of brand health. Companies can utilize the changes in non-customer brand perception as a gauge of the brand's reputation amongst new customers.
3. Brand awareness research also exposes the gaps in a marketing campaign's reach and allows a team to strategically plan to make-up for holes in coverage in subsequent awareness marketing campaigns.
4. Help identify the concentration of awareness in a certain customer segments and thereby determine the most efficient deployment of sales resources to leverage target buyer awareness.
5. Brand awareness and perception research provide useful competitive intelligence on key competitors in the marketplace. This can be used to identify areas where you company is more or less branded than its competitors.

### **Brand Awareness Survey**

Brand awareness spans the range of emotions or perceptions associated with a company or product. These intangibles are difficult to gauge, requiring an effective methodology to ensure accurate results. Market research surveys provide valuable intelligence on the brand recognition— information that is critical to the success of a business. The survey includes typical questions like:

- What is the “top of mind” brand in the market?
- What attributes do you “own” versus the attributes competitors own?
- What are customer perceptions regarding your brand versus the competition?
- Who are your prospects working with, and why?

The result of an effective brand awareness survey sheds light on these questions, and results in information that can be used to leverage brand strengths against competitors' weaknesses, allowing successful launch and or re-launch of products.

- What percentage of the population is aware of your brand?
- What percentage of your target audience is aware of your brand?

- Is your brand awareness growing, declining, or staying the same within these groups?
- Why? What is changing and affecting your brand awareness?
- What is the source of awareness of your brand? Is it your products, your stores, your national advertising, your web-site? Is it discounted retail advertising? Is it word –of-mouth? How much each source is impacting awareness levels?

Brand awareness surveys are often conducted using personally administered questionnaires, telephone based interviews, direct mail, e-mail questionnaires, and online surveys.

Box provides details of a typical brand awareness survey

### 2012 Car Brand Perception Survey

In conducting random, nationwide perception survey, researchers asked car owners to name the automotive brands they are aware of—this determines the baseline. By dividing the total number of times that a particular make was mentioned as an exemplar across seven car-buying factors by awareness, This ensured every brand has an equal chance of leading a category, not just the best-selling or most well-known brands. In the chart below, we list those brands whose awareness was 30 percent or greater in the latest survey.

Brand	2012 (%)	2011 (%)
Ford	87	85
Chevrolet	76	75
Toyota	70	68
Honda	57	52
Chrysler	45	39
Dodge	43	31
Cadillac	38	32
Mercedes-Benz	36	30

*Source:*2012 Car Brand Perception Survey: Ford leads all brands in . . . news.consumerreports.org/ . . . /2012-car-brand-perceptio . . . - United States, 26 Jan 2012.

## On Line Measurement

On line metrics help measure the effectiveness of a firm's marketing efforts of driving awareness and demand online.

**Branded Keyword Tracking:** This is the process of regularly tracking branded keyword traffic to measure the impact of a marketing awareness initiative. To do this effectively, you will first need to understand the meaning of a branded keyword. A branded keyword is a word or phrase associated with a brand. For example, Nike Air and "Just do it" are branded keywords for Nike. The main problem with this measurement is that you are not able to effectively identify what percentage of the keyword traffic is coming from your target customer population or even validate that the visitors are relevant

**Direct Traffic Tracking:** This is a measure of the number of visitors that come to your website through direct navigation via a browser or through a bookmark. This is a good indicator of the number of people that are aware of your brand and choosing to spend their time visiting your website. The change in this number from week to week shows the change in brand awareness.

**Branded Tweet Tracking:** This is the process of monitoring the trends of branded tweets on Twitter. A branded tweet is an at (@) tweet that references a company's or brand's Twitter Handle. The reason this is a good measure of brand awareness is referencing the company's Twitter Handle demonstrates that the Tweeter can recall your company or brand name while in the midst of sending out a message on Twitter.

**Inbound Lead Tracking:** Similarly, you can also measure inbound website visitors, phone calls and emails as well by using specific tracker landing pages, email addresses or tracker phone numbers for each specific marketing campaign. Doing so will enable you to measure the aggregate impact of a single marketing awareness initiative and enable you to remove any outside impacts on traffic, call or email volume.

**New Versus Returning Visitor Tracking:** This is a measurement of first-time visitors coming to your website that can be divided by total visits to calculate the share of website visitors that are new as opposed to

returning visitors. You can use the Google Analytics drill-down tools to see which sources are driving the majority of traffic and this is a great way to measure the reach of a marketing initiative.

### **Creating Brand Awareness**

How do you, over time, establish positive brand awareness that promotes the possibility of purchase of your product in the future? The major components of a plan to develop brand awareness are:

- Identifying and understanding your target customers
- Creating a company name, logo, and slogans
- Adding value through packaging, location, service, special events, etc.
- Advertising with consistent communication
- After-sale follow-up and customer relations management

Targeting the right audience is crucial to your success. Of similar importance is understanding that you need a plan along with specific actions that increase awareness of your brand amongst your consumers. Throughout the entire process of creating a brand, it is of utmost importance to have consistent brand communication.

Consistency cannot be emphasized enough. It presents the consumer with an image that in the future the consumer can continue to associate with your products. For example, if the materials you distribute, the set-up of your sale table, the packaging of your product, and the logo and tagline are not all relatively similar, regularly consistent, and repeatedly recognizable over time, it is likely you will get nowhere with your brand.

### **The Message of what a Brand is Offering to the Consumer Should be Consistent.**

The impressions you hope to make on consumers and potential consumers should be consistent across various mediums, situations, and promotional attempts.

Wegmans, for example, offers fresh, high-quality foods for purchase and advertises the advantages, such as home-cooked meals, that their goods can provide for you.

The layout of their perishable goods, the organization of complementary condiments and staple products, and the stands offering sample recipes to be cooked at home are all evidence of the company attempting to present a consistent message of what they are all about to the consumer.

### **Images you Present Should also be Consistent in Order to Increase Brand Awareness**

Creating brand awareness, through a collaborative, well-developed overall image, is essential to developing a success brand that achieves maximum benefits.

It is important that you are consistent in your use of images so that you maximize recognition and positive impressions.

Wegmans logo, for example, can be found on its storefront, on the products it produces itself, on the receipt consumers receive after purchase, on the bags customers carry out of the store, and in many of its distributed informational material.

### **Slogans and Taglines Should also be Consistent Throughout Mediums and Material**

Once again, consistency is important in conveying a message that promotes awareness of your brand in an organized, recognizable manner. Wegmans' tagline, "Helping you make great meals easy", is consistent throughout its promotional materials, website, and logo, to name a few.

### **Location is to be Informed and the Memory is to be Reinforced**

Out of sight means out of mind.. If the brand is not physically found, consumers ignore the communications and tend to forget the brand. Keep people informing where the brand is available.

If your business is wholesaling maple products to retail locations, you need to stay in regular and reliable contact with your customers. They should not have to come looking for you when they need to re-stock or they will turn to suppliers that make it easier for them to operate their businesses.

### **Use Appropriate Media**

Depending upon the target audience of the brand, use right media. Today one can use on line and traditional media like TV, Radio and Print. Online brand awareness can be influenced by many online mediums including:

- Online reviews (CNET, Techcrunch, etc.)
- Display advertisements
- Paid ads
- Organic search engine visibility (Google, Yahoo, Bing)
- The social sphere (Facebook, Twitter, Digg, Reddit, etc.)

### **Maintain Brand Awareness**

It is important to keep working at the issues and activities identified above. Keep consumers informed about any changes in brand or location.

The NY Maple Producers booth at the State Fair has been in a prime location for many years. They need to move to gain more sales space and will have to have a plan to help customers find their new location.

Pay attention to how customers are responding to products, packaging, displays, and messages. Look for ways to improve the image you are trying to get across. Ask your customers for suggestions.

### **Sumamry**

Brand awareness is a marketing concept that enables marketers to quantify levels and trends in consumer knowledge and awareness of a brand's existence. Brand awareness is of critical importance since customers and marketers. New products, new firms and new markets pose a challenge of creating awareness. Many large companies use expensive brand tracking studies to estimate awareness. Panels and surveys can be

used to provide detailed data on metrics like aided and unaided awareness, sentiment analysis, loyalty, etc.

Brand awareness is accessibility of the brand memory. Awareness is measured by Recall and Recognition. Measures include: No awareness – Awareness -Aided awareness. Brand recognition is the ability of consumer to recognize prior knowledge of brand when they are asked questions about that brand or when they are shown that specific brand, i.e., the consumers can clearly differentiate the brand as having being earlier noticed or heard. The different approaches to recall are -Aided recall -Unaided or unprompted awareness- - Top of mind awareness or spontaneous brand recall -Top-of-Mind Awareness -Strategic Awareness.

Brand awareness research enables a company to quantify impact. Surveys and panel research are the traditional approaches. On line measurement include: Branded Keyword Tracking-Direct Traffic Tracking: -Branded Tweet Tracking - Inbound Lead Tracking-New Versus Returning Visitor Tracking.

Brand awareness is created by understanding customers, creating a set of brand elements and communicating them in a consistent manner. Reinforcement through various experiences and communication is important. Changes in brand are to be communicated to consumers.

### **Self Assessment Questions**

1. Explain the meaning of self concept and its significance.
2. What is self branding?
3. How did Carl Rogers classify self concept?
4. Explain self congruity theory
5. What is the image projected by (a) Bournvita (b) Navarathan hair oil
6. What kind of marketing actions help surf excel and Dove in winning consumers?
7. What do you understand by brand proposition?
8. What is brand promise and its significance?
9. Distinguish between brand promise and mission.

10. Explain brand propositions of (a) Surf excel (b) Videocon
11. Explain internal branding activities of a banking organization.
12. How do brands create emotional connect with customers?
13. Explain the importance of brand name.
14. Explain the four types of brand naming approaches with examples.
15. What are the steps involved in finding a brand name?
16. How is brand name popularized and strengthened?
17. What do you understand by brand awareness?
18. In what contexts, brand awareness challenge arises?
19. What are the benefits of knowing brand awareness?
20. How do you create brand awareness?

### **CASE STUDY**

#### **Selling Volkswagen**

Volkswagen is a globally recognized brand that is known by everybody, thanks to its truly iconic brand image. For many consumers, Volkswagen is not just a brand that produces quality cars. Instead, it is a brand that exudes a unique and lovable brand personality that creates an emotional association with us!

In recent years, Volkswagen tops its rankings as one of the 20 best brands in the world. This shows that the Volkswagen brand is not only branded, but also highly wanted by the global market as well! Through effective brand differentiation, Volkswagen has created a positive brand image and likeability for its brand because people just love its brand's distinctive personality.

Furthermore, Volkswagen further strengthens its positive brand image by being a brand that is able to reach out to a wide scale of consumers ranging from car enthusiasts, corporate executives and family people. By launching different categories for its car models, Volkswagen is able to fulfill each and every of its customers' needs.

Positive brand image has helped Volkswagen to create a distinctive brand personality that enables its brand to connect emotionally with its

target audience. It has also made Volkswagen a successful and iconic brand across the seven continents in the world. By creating a unique brand personality that connects to our target audience, we can bring our brands to the global market . . . just like Volkswagen!

A Volkswagen brand survey was recently conducted on 100 Malaysians... here are the following results.

- 100% have heard of the brand, Volkswagen
- 96% agreed that Volkswagen has a positive brand image
- 91% agreed that Volkswagen has maintained a consistent brand image throughout the years.
- 84% are positive towards Volkswagen's brand personality.
- 83% agreed that Volkswagen's friendly brand image has helped to establish its customer loyalty.

Through its unique brand personality, Volkswagen has created a strong Emotional Selling Proposition (ESP) for itself by staying true to its humble "for the people" origins that most consumers will relate with. The brand's approach on a down-to-earth image has also made Volkswagen a household name. A successful brand always maintains its core values and respect to its customers, just like Volkswagen.

Another ESP that has enhanced Volkswagen's brand image is its brand's ultimate driving experience. Volkswagen emphasises very much on all its cars' overall handling, allowing consumers to control their Volkswagens as if it's their own body. This appeals emotionally to us because everybody would surely want a car that is within our control regardless of any situation, right?

### Questions

1. Explain how Volkswagen created its brand image?
2. Who can be the target customers and what may be their self image?
3. How can a marketer achieve congruity between self and brand image?

*Source:* BRAND talk - Think Unique, Think Volkswagen, [peopalove.com/brandtalk/2011/oct/brand-chat.html](http://peopalove.com/brandtalk/2011/oct/brand-chat.html)

### Internet Exercise

Make a report on India as a brand and how it can be made a winning brand based on the hints supplied by 'Made in India - The branding of India, [www.marketing91.com/india-branding-india/](http://www.marketing91.com/india-branding-india/) 15 Apr 2012.

### Mini-Project

Conduct a survey of consumers. Key questions to be asked:

1. What personality characteristics do you have?
2. What in your view are your personality characteristics as perceived by your friends?
3. Fill in the following table.

Product	Brand preferred or bought	Reasons
Tooth paste		
Toilet soap		
Shampoo		
Hair oil		
Pen		

Based on the above, find connection between individual and brand image.

### CASE STUDY

#### Brand Building of Mayo Clinic

Though the healthcare industry has not yet thoroughly embraced branding as a critical asset requiring investment, there are formidable and quantifiable examples of Healthcare branding which have reaped impressive rewards, including:

- Mayo Clinic – Minneapolis, MN
- M.D. Anderson – Houston, TX
- Baptist Health Care – NW Florida
- Children's Medical Center – Dallas, TX

Mayo Clinic is one of the most powerful service brands in the world and represents the most comprehensive, holistic and uncompromising commitment to branding in the healthcare industry today.

Built over time, out of a vision of customer care that established an emotional bond between Mayo and patients, the Mayo Brand is sacrosanct and drives every aspect of the organization's business model and culture:

- A team oriented, collaborative approach to patient care through their MayoClinic Model of Care.
- Salary compensation of all staff
- Marketing
- A Brand Team, Legal and the Mayo Board of Governors actively manage the Brand and protects it from internal and external violations.
- Each business decision is filtered through the Mayo Acid Test to ensure activity is compatible with the brand values and principles.
- All employees and associates are taught to live the brand with every customer and colleague interaction.

As a result, Mayo enjoys stellar ROI from its brand focus, despite falling Medicare payments. In 2007, revenue increased 10% to \$6.9B with a 3% profit margin. Income from patient care rose 5% for the year, though the number of people being treated was unchanged. In a national study, the following were found:

- Mayo clinic was selected by almost 30% of respondents as the facility they would choose to go for care if diagnosed with a serious medical problem.
- Preference for Mayo was 3 times greater than for "other institutions."
- 95% of Mayo Clinic patients report they voluntarily say "good things" about the Clinic to others. These respondents speak with 44 – 47 different people each day.

Mayo Clinic leadership asserts that the brand is the organization's most valuable asset and is unwavering in its commitment to investing in the brand and protecting it.

Though M.D. Anderson has long enjoyed its position as an internationally known cancer hospital, leadership embarked on a comprehensive branding program to enhance its Brand and create an emotional bond with consumers in general rather than limiting their marketing efforts to cancer patients. The organization recognized that patients and families grappling with a cancer diagnosis are in the least-receptive frame of mind to decide on a treatment facility. Instead, their on-going branding program established M.D. Anderson in the consciousness of the general adult consumer. Brand-centric advertising and marketing campaigns are used to promote a powerful, emotionally-based positioning platform unique to M.D. Anderson and employees at every level ensure that the patient and family experience delivers on the promise.

### **Questions**

1. How brand power is built by Mayo clinic and Anderson?
2. What may be the brand proposition of Mayo clinic?

### **Internet Exercise**

Refer to Brand Yatra: Godrej – Successfully straddling the old and the new, [www.exchange4media.com/37826\\_brand-yatra-godrej---](http://www.exchange4media.com/37826_brand-yatra-godrej---successfull...) successfull . . .

14 Apr 2010. And prepare a note on brand proposition of Godrej.

### **Mini-Project**

Visit two local retail organizations and find out the company promotion and consumer experiences. Based on that evaluate the effectiveness brand proposition of the retail organizations.

## CASE STUDY

### Rupay Identity

RuPay has been floated with the goal to become the new currency for India, and to emerge as a mainstream payment system across the nation. R K Swamy BBDO has created a name and brand identity for a new Indian payment system, a brand belonging to the National Payments Corporation of India (NPCI). Christened RuPay, the brand is a pioneering attempt to help bring the multiple benefits of electronic payments to the masses.



The word RuPay is an amalgamation of the words 'Rupee' and 'Payment', and is meant to suggest a truly Indian identity, as it is an inclusive and affordable alternative to global payment systems such as Visa and MasterCard. The creative team at R K Swamy BBDO that worked on the creation of brand RuPay (name and logo design) comprises Tapas Pal, brand design director — art, Bala Amruskar, brand design associate, Aziz Chikte, brand design director — art, and Chacko Varghese, brand design director — copy.

The name of the brand has been inspired by the esteemed Indian 'Rupaya'. The logo uses the nation's colours — saffron, green, white and blue — in a dynamic form. The use of these colours is meant to connote the image of an Indian on the move. Additionally, the logo is also meant to convey to the masses the brand's commitment to deliver a state-of-the-art, affordable and easily accessible payment service.

The target group comprises all Indians. "The goal is to cut across all class barriers and, in a sense, promote financial inclusion. It is a mass brand for all the citizens of the country." Another objective, is to increase the acceptance of electronic retail payment on part of professionals at the retail level. Though RuPay will utilise robust technology that involves the entire financial eco-system, it is safe and simple to use; the agency's task is also to communicate this to the masses.

## Strengthening Brand Name

McDonalds sells hamburgers and, if truth be known, their hamburgers are no better than those of their competitors. McDonalds has made itself a brand name primarily through marketing, uniformity of product, and accessibility.

Gillette sells razor blades, not a unique product. It has become dominant in the market, and a brand name, because it markets itself well, continually improves its product – track the progress of the shaving tool) – and its products are reliable.

However, some brands become generic names and loose identity. Among them are: Dettol, Lux, Xerox, Bisleri, Vicks and Colgate.

Strengthening a brand involves designing identity and communicating it consistently to the audience with the goal of establishing relationships.

## Identity Design

In most cases, identity design is based around the **visual devices** used within a company, usually assembled within a set of guidelines. These guidelines that make up an identity usually administer how the identity is applied throughout a variety of mediums, using approved colour palettes, fonts, layouts, measurements and so forth. These guidelines ensure that the identity of the company is kept coherent, which in turn, allows the brand as a whole, to be recognizable.

The identity or ‘image’ of a company is made up of many visual devices:

- A Logo (The symbol of the entire identity & brand)
- Stationery (Letterhead + business card + envelopes, etc.)
- Marketing Collateral (Flyers, brochures, books, websites, etc.)
- Products & Packaging (Products sold and the packaging in which they come in)
- Apparel Design (Tangible clothing items that are worn by employees)

- Signage (Interior & exterior design)
- Messages & Actions (Messages conveyed via indirect or direct modes of communication)
- Other Communication (Audio, smell, touch, etc.)
- Anything visual that represents the business.

All of these things make up an identity and should support the brand as a whole. The logo however, is the corporate identity and brand all wrapped up into one identifiable mark. This mark is the avatar and symbol of the business as a whole.

## Symbols

Symbols are easier to memorize than the brand names as they are visual images. These can include logos, people, geometric shapes, cartoon images, anything. For instance, Marlboro has its famous cowboy, Pillsbury has its Poppin' Fresh doughboy, Duracell has its bunny rabbit, Mc Donald has Ronald, Fed Ex has an arrow, and Nike's swoosh. All these symbols help us remember the brands associated with them.

Brand symbols are strong means to attract attention and enhance brand personalities by making customers like them. It is feasible to learn the relationship between symbol and brand if the symbol is reflective/representative of the brand. For instance, the symbol of LG symbolize the world, future, youth, humanity, and technology. Also, it represents LG's efforts to keep close relationships with their customers.

## Logo Design

Logos visually describe a company, its nature, goods and services. The characteristics of a fantastic logo are contrast, distinct graphics, text clarity, colors and recognizable symbols.

- **Color consistency**-Logos are very effective and meaningful and differentiate the company from its competitors. Colors add life to the company logo and are effective tools in the design of the logos. Visually appealing logos have a consistent application of color. Logos used by the top companies, like Apple Computers,

have a consistent application of color. The more colors that are used in the design of a logo, the more difficult it is for the logo to be reproduced in different formats.

- **Contrast-** The best logos make use of color contrast which plays a major role in the fundamental design of a logo. Contrast helps in differentiating elements including text and graphics. The reason incorporating contrast in the design of a logo is so vital is that it helps in highlighting minute details that would otherwise go unrecognized. Ninety percent of web designers consider contrast to be the most necessary element of logo design.
- **Style of text and textures-**The reason companies like Nike, Microsoft, Dell and IBM are prospering is the fantastic nature of their logos. Their logos are characterized by very clear outlines, bold text and texture.

A single curved line that goes thicker at one end, officially known as “the Nike Swoosh.” Nike used to include its name with the Swoosh but the distinct shape works on its own – minimalism at its finest. Logos given below illustrate how the name is strengthened by colorful and stylish presentation.



### Brand character

“Utterly butterly delicious...Amul” Yes..thats the famous Amul girl character singing... something which still resonates in our mind.

Spokes-characters are animation/cartoon characters created by a company to promote a certain brand or product. These characters are used to deliver the advertising message using colourful characterization and quirky characteristics. Use of spokes-characters has been noticeable in Indian media since the 1980s, from the famous Amul Girl in the ‘80s to the more current Zoozoos promoted by Vodafone. Other examples of spokes-characters in the Indian media are the Air India Maharaja, Pillsbury doughboy, ICICI’s Chintamani, etc.

Animated characters are more economical. Plus the animations are more flexible and customized. Like 7 UP's Fido was changed from 2-D to 3-D. Another plus side is that there is no dealing of star tantrums. Then there is no fear that the character would be using a competitor's brand. Moreover, animated characters have more life.

### **CASE STUDY**

#### **Fair & Lovely fortifies**

Fair & Lovely ( FAL) is the brand that revolutionized the Indian Skin care industry. It is World's first and largest fairness cream brand. At a time, Indian skin care market was dominated by conventional beauty care products like Bezan, Multani Mitti, and others FAL was introduced by Hindustan Unilever in 1975. Unilever research center created the product and it was introduced by Hindustan lever Ltd., in India in 1975.

In 1988 the brand went international and today it has presence in 40 countries and a value of around ` 6 billion. It commands a market share of over 70% in the Rs 1000 crore fairness market in India.

FAL enjoyed monopoly till Cavin Kare entered this lucrative segment with Fairever. The success of Fairever prompted many players like Godrej to tap the market. FAL sustained the pressure from the competitor by careful branding and new product launches. The brand never failed to emulate and learn from the competitor. When Fairever launched the ayurvedic variant, FAL launched a much better variant. Then came the competition from Ozone Ayurvedics with their brand No Marks trying to carve a niche. HLL countered with FAL Anti-marks and launched a controversial comparative ad that took the steam out of No Marks. When Fair ever launched the soap, FAL also responded with soap. FAL never allowed the competitors to gain an upper hand in the market which it created.

FAL achieved such tremendous success because of careful branding and ad campaigns. Initially HLL focused on skin colour and the ads became controversial on account of gender inequality issues. Now the brand has laddered up to more aspirational values like "Transformation of Women" The insight is that the transformation will be more than skin deep. The ads showing a girl achieving the ambition of being a cricket commentator ( a male bastion) were very much effective in connecting with the target group.

HLL has also extended the brand to more aspirational values by launching Fair& Lovely foundation that works for Women Empowerment achievement and Transformation which are the qualities for which FAL stands for. FAL have also launched a premium subbrand Perfect Radiance to tap the premium segment of the market. Fair & Lovely was able to dominate the fairness market because of careful marketing and is a showcase of the marketing genius of HLL.

### **Questions**

1. Examine the fitness of the different brands mentioned in this case.
2. Based on the series of launches, foresee the future launches and suggest brand names. Justify your answer.

### **Internet Exercise**

Prepare a paper on Brand Extension - Meaning, Advantages and Disadvantages by looking at various websites. Start with [www.managementstudyguide.com/brand-extension.htm](http://www.managementstudyguide.com/brand-extension.htm).

### **Mini Project**

Take a product of your choice and find the brands in market place. Conduct a multiple why test on them and based on the responses evaluate the names.

## **CASE STUDY**

### **Smart Sack Logo**

Four years after launching the snack smart initiative, PepsiCo has given up rice bran oil to cook its snacks and silently taken off the 'Snack Smart' logos from the packs of its snack foods like Lay's chips, Kurkure and Cheetos. A spokes person of Pepsi told:

“Our analysis of consumer feedback on the use of rice bran oil showed that the consumer did not show any added preference to the use of rice bran oil,”

#### **Switch from Cheap to Nutrient Oil**

Earlier the company was using cheaper palm oil to cook its snack brands as a cost-saving measure. Beginning the second half of 2007, PepsiCo had been saying across various multimedia campaigns and announcements that it had switched to cooking all its snacks brands in rice bran oil, instead of the earlier palm oil.

#### **Awareness Creation**

The 'snack smart' logos used to claim that the brands, apart from being cooked in healthier oil, had 40% less saturated fat, zero trans fats and no added monosodium glutamate. Pepsi's website, [snacksmart.co.in](http://snacksmart.co.in), showed actor Saif Ali Khan promoting the 'snack smart' logo for its Lay's chips. It says rice bran oil, used to cook Lay's, Kurkure and Cheetos, is “naturally high in good fats and 22% lower in saturated fats”.

#### **Switch –Controversy**

Typically, the cost difference between snacks cooked in rice bran oil and palm oil is about ` 8-10 per kg. PepsiCo's decision to silently withdraw the logo and switch to cheaper oil has not gone down well with health activists.

Centre for Science and Environment Director Sunita Narain said

the move amounts to taking the consumer for granted.” If Pepsi spent crores telling consumers about the meaning of the ‘snack smart’ logo in the past, they should now tell consumers why the logo is off on the same marketing budgets,” Narain said. “They should have Saif Ali Khan on TV telling consumers why the logo is off.” Narain had triggered an outcry against Pepsi and Coke in 2006 by saying their soft drinks in the country contained pesticide. Pankaj Sharma, chief trustee of Centre for Transforming India (CFTI), a Delhi-based NGO that works on health and environment issues, said companies should have self-regulation.

“Either they should not bother telling consumers details of cooking medium (or) . . . they should tell consumers about changes as well.”

The PepsiCo spokesman insisted that the company is not taking its focus away from healthy food. Lay’s has significantly reduced sodium in Lay’s Classic salted and all its snacks are free of MSG and trans fat, he says.

The company has also launched a baked version of Lay’s potato chips. «A new range of baked, multi-grain products under the Aliva brand is next in the offing,» the spokesman said.

### **Health Focus Continues**

With growing health concerns and mounting criticism over widespread obesity, food and beverage majors have begun adopting nutritional labelling in the country, in line with global trends, to reduce portion sizes, reformulate existing products to reduce saturated fat, cholesterol, added sugars and sodium.

Several companies including the two cola majors, Unilever, Nestle, Kellogg’s, Kraft Foods and Mars came together in March last year to sign an India Pledge, a set of guidelines to restrict and regulate propagating unhealthy foods on the lines of the European Union Pledge.

The pledge involves the companies making individual commitments to social responsibility in marketing food and beverage products to children, and providing a framework to promote healthier dietary choices.

*Source:* Ratna Bhushan, PepsiCo takes ‘Snack Smart’ logo off Lays, moves away from rice bran oil to cut costs,, ET Bureau, The Economic Times, Mar 26, 2012.

## Questions

1. How did Pepsi create awareness of smack smart logo?
2. What is the controversy around the logo?
3. What should Pepsi do in response to the criticism?

## Internet Exercises

Visit [www.brandhalo.co.uk/pdf/BrandPerception.pdf](http://www.brandhalo.co.uk/pdf/BrandPerception.pdf) which explains

How to conduct a 'brand perception' customer survey and visit other websites and prepare questionnaire (i) to measure awareness of a brand and (ii) to know whether they like the brand.

## Mini Project

Conduct of survey of brand awareness for shampoos.

1. Rate the brands of tooth paste in terms of your awareness on a 5-point scale of awareness. (5 –high and 1- low)

S.No	Brand	Awareness rating scale				
		5	4	3	2	1
1	Colgate	5	4	3	2	1
2	Pepsodent	5	4	3	2	1
3	Close up	5	4	3	2	1
4	Sensodyn	5	4	3	2	1
5	Babool	5	4	3	2	1
6	Anchor	5	4	3	2	1
7	Amway	5	4	3	2	1
8	Thermoseal	5	4	3	2	1
9	Meswak	5	4	3	2	1
10	Vicco vajradanti	5	4	3	2	1

2. Rate the brands of tooth paste in terms interest you have in using them on a 5-point scale of interest (5 –high and 1- low)

S.No	Brand	Awareness rating scale				
1	Colgate	5	4	3	2	1
2	Pepsodent	5	4	3	2	1
3	Close up	5	4	3	2	1
4	Sensodyn	5	4	3	2	1
5	Babool	5	4	3	2	1
6	Anchor	5	4	3	2	1
7	Amway	5	4	3	2	1
8	Thermoseal	5	4	3	2	1
9	Meswak	5	4	3	2	1
10	Vicco vajradanti	5	4	3	2	1

2. Which brands of tooth paste did you use during the last one year?  
Write in the following blanks.


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## UNIT – III

### Unit Structure

Lesson 3.1 - Managing Brand Portfolio

Lesson 3.2 - Building Brands

Lesson 3.3 - Brand in Retail Management

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### Lesson 3.1 - Managing Brand Portfolio

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Explain what brand management is
- Describe role of brand management and explain the process of brand management
- Identify the important considerations in brand portfolio management
- Examine the issues in brand management

### Introduction

Brand management performed to its full extent means starting and ending the management of the whole company through the brand. Brand management starts with understanding what 'brand' really means. An organization's brand represents a promise to employees, consumers and other stakeholders. More than just a logo or advertisement, a brand has the unique ability to unite all aspects of the organization and meaningfully differentiate the firm from competitors. Although perceptions of a brand are created in the marketplace, they can be effectively managed to drive growth by remaining true to the organization's capabilities, core values and heritage.

## **Concept**

It takes several years and hard stuff to turn a product into a brand. Brand is that stage of a particular business where the only name is sufficient to bring accretion to the sale. After a product turns to a popular brand, then there is a need to maintain its name and reputation in the online market.

**Brand management** is the application of marketing techniques to a specific product line or brand. A brand in its true sense is somewhat similar to magic, which can transform things when we believe. It thrives, grows and becomes a powerful force when we are able to imagine its connection with the larger world in which it exists, enmeshed in an intricate web of life. An effective brand strategy plays a significant role in building brand beliefs in the mind of the consumer.

## **Brand Management- Original Version**

Brand management was born on May 13th, 1931 when Neil McElroy, Promotion manager in P&G made out a memo which outlined role and responsibilities of brand men at the instance of his boss R. R. Deupree, the President of P&G. Deupree was keen on the idea of developing separate branding teams within the P&G portfolio and asked McElroy, to flesh out the idea and formalise it. The memo is given here to understand the responsibilities of brand men.

## **The McElroy Memo**

### **Brand Man**

1. Study carefully shipments of his brands by units.
2. Where brand development is heavy and where it is progressive, examine carefully the combination of effort that seems to be clicking and try to appeal this same treatment to other territories that are comparable.
3. Where brand development is light:
  - a. Study past advertising and promotional history of the brand: study the territory personality at first hand—both dealers and consumers—in order to find out the trouble.

- b. After uncovering our weakness, develop a plan that can be applied to this local sore spot. It is necessary, of course not simply to work out the plan but also to be sure that the amount of money proposed can be expected to produce results at a reasonable cost per case.
  - c. Outline this plan in detail to the Division Manager under whose jurisdiction the weak territory is, obtain his authority and support for the corrective action.
  - d. Prepare sales helps and all other necessary material for carrying out the plan. Pass is on the districts. Work with salesmen while they are getting started. Follow through to the very finish to be sure that there is no letdown in sales operation of the plan.
  - e. Keep whatever records are necessary, and make whatever field studies are necessary to determine whether the plan has produced the expected results.
4. Take full responsibility, not simply for criticizing individual pieces of printed word copy, but also for the general printed word plans for his brands.
  5. Take full responsibility for all other advertising expenditures on his brands (author's note – in-store displays and promotions).
  6. Experiment with and recommend wrapper (packaging) revisions.
  7. See each District Manager a number of times a year to discuss with him any possible faults in our promotion plans for that territory.

### **Brand Manager- Role And Responsibilities**

The art of creating and maintaining a brand is called brand management. Contemporary brand management plays a key role in creating brand health and brand equity. Table shows the shifts in focus of brand management.

### Shifts in brand management focus

Aspect	Traditional	Contemporary
Purpose	Brand as an identification	Brand as an asset
Responsibility	Brand manager Marketing responsible	Brand ambassadors and champions. Whole organization responsible
Time horizon	Three months	Three years
Focus	One time transaction	Life time association
Business Goal	Retention and Customer satisfaction	Deep loyalty and Cus- tomer commitment
Business outcomes	Production driven revenues Market share gains	Brand driven revenues Stock price gains
Evaluation	Awareness and recall met- rics	Brand equity measures

The roles of brand manager are briefly explained here.

#### Designer

**Brand manager develops brand orientation.** The orientation of the whole organization towards its brand is called brand orientation and it is developed in responsiveness to market intelligence. Careful brand management seeks to make the product or services relevant to the target audience. Based on intelligence and research data, brand manager designs brand for identity through name, logo, symbol, colour, character and promise.

#### Communicator

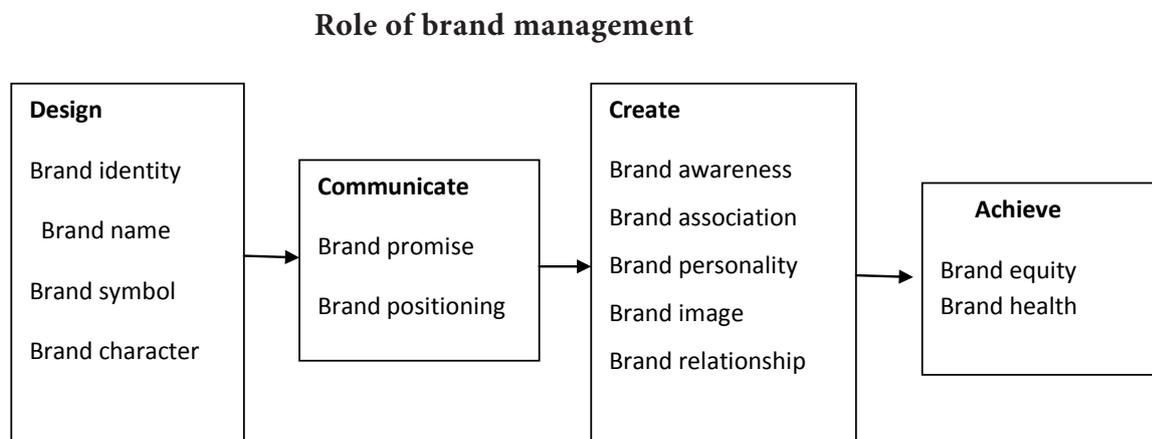
Through various communication media and methods, brand manager positions the brand and promotes it in the market place. He does this with creativity and an understanding of consumer attitudes and preferences.

## Creator

Brand manager creates a market that patronizes the brand. He helps consumers in developing brand awareness, associations, personality and image.

## Achiever

Brand manager is an achiever of desired results in terms of brand equity and brand health. Figure presents the key concerns in brand management.



## Duties and Skills

A brand manager typically ensures the quality and successful promotion of a certain line of products. He or she analyzes sales figures, sets prices, and oversees advertising campaigns. The manager explores different marketing strategies and directly contacts retailers to convince them to carry a brand. Brand managers work in almost every large corporation that manufactures commercial or consumer products, from packaged foods to home electronics to industrial machinery.

Excellent written and verbal communication skills typically are essential to be a successful brand manager. Professionals hold telephone and in-person conferences with retailers to promote their brands, negotiate prices and shipping quantities, and set up orders. They also meet with product developers, sales personnel, copy writers and advertising directors to make sure that every aspect of production, distribution, and marketing is in sync.

New advertising campaigns usually are organized by the brand manager. He or she analyzes the successes and shortcomings of previous campaigns to determine better ways to promote the products of the company. The manager reviews the work of copywriters and art directors to make sure that a new campaign will be attractive to customers.

Extensive market research must be conducted to determine how and where to advertise a product. In order to target certain consumer demographics, the brand manager may decide to create advertisements in the form of billboards, product catalogs, magazine spots, or television commercials. Many companies dedicate a large portion of their advertising budgets on Internet campaigns. Managers oversee the creation of banner ads, interactive Websites, and short commercial videos.

If a particular product is not selling well, the brand manager will consider many different options to help raise sales figures. He or she might ask for consumer input to determine why people are unsatisfied with the product. The manager communicates with research and development personnel to suggest quality improvements or changes. If competing products are selling better than the manager's brand, he or she can implement new advertising strategies or make the decision to lower prices.

Most brand managers hold college degrees in business administration or marketing. Some professionals are able to obtain jobs with bachelor's degrees, though master's degrees are required for employment by most large corporations. An individual may be able to advance to the rank of brand manager after gaining experience and excelling in sales and advertising positions within a company. Most professionals begin their brand management careers as assistants to experienced managers so they can become familiar with the duties and responsibilities of the job. A successful brand manager may eventually have the opportunity to advance to a top executive position.

### **Brand Management Process**

Contemporary brand management is a matured discipline and function. The knowledge of brand power is now realized. Further, markets have gained experience in shaping and creating brand as an asset (equity) and as catalyst in building relationships with customers

and other stakeholders. Gelb consulting company maintained that brand management process comprises four stages: understand, create, deploy and monitor.

## **Understand**

The foundation for success begins with understanding of who will make decisions, the target audience and defining objectives, how success will be measured. Identifying/defining your most important customers and understanding what motivates them to choose your brand over your competitors' brands is an important input to brand management.

### ***(i) Decision Making Responsibility***

Lack of commitment from leadership is a common reason that brand strategies fail. So obtaining executive buy-in is also a crucial first step. Brand management starts with the leaders of the company who define the brand and control its management. The CEO should be (and, in fact, always is) the brand leader of the company. It also reaches all the way down the company and especially to the people who interface with customers or who create the products which customers use.

During this stage, a brand team should be developed. A brand team is a group that will play a critical role throughout the process – reviewing research findings, evaluating options, and ultimately making recommendations for change. The brand team should engage cross-functional stakeholders throughout the organization.

For example, if your brand includes multiple hospitals or centers, it is ideal to have at least one representative from each of them on the brand team. Members of the brand team begin to feel a sense of ownership in the process if they are engaged from the beginning planning process. This sense of ownership facilitates their advocacy throughout the process and in the period of brand change.

### ***(ii) Understanding Market***

The brand team should understand the market and preferences of the customers to the brand.

(a) *Brand Audit*

A brand audit will give you a thorough understanding of your brand's current positioning. A brand audit involves delving into your current research and communications, as well as identifying gaps and conducting new research. Most likely, you already have research to give you insight on issues such as customer satisfaction, loyalty, and preferences. Analyzing this research will help you understand how your brand's goals compare with current performance and positioning.

Below are examples of research that you can evaluate to provide insight about each of these areas.

- (a) *Customer Value*: Examines the criteria consumers use to choose among the brands. For example, consumers could be asked about the latest technology, range of services and customer care.
- (b) *Consistent Experience*: Finds who have used products/ services and examines overall satisfaction in areas such as functional benefits and communication with employees
- (c) *Competitive Difference*: Evaluates the strength of associations consumers make with the brand and competing brands, with questions focused on consumer awareness/preference, advertising recall, and current market share.
- (d) *Awareness*: Measures overall awareness and knowledge, such as how many people have heard of or previously used your brand / organization..

(b) *Research*

After reviewing and organizing your available research, it is likely that you will need to conduct additional marketing research (quantitative and qualitative). These efforts will help you fill information gaps needed to best create your brand strategy. It is risky to create a brand strategy without gathering data to show what motivates your stakeholders and drives their loyalty. It is also vital to develop an understanding of critical success factors for gaining buy-in from your internal audience.

The following tables outline examples of research that can be crucial to understanding your current brand positioning and developing prescriptions for growth.

### External Brand Audit

Audience	Tools	Purpose
Community Leaders & Sponsors	Qualitative interviews or focus groups	Review their experience with your organization and competitors, evaluate marketing effectiveness, opportunities for improvement, and growth.
Reference groups	Qualitative interviews	Determine satisfaction with current referral process, perception of your organization and competitors, opinions regarding current brand strategy, and recommendations for change.
Consumers	Focus groups or online survey of primary and secondary service areas.	Examine current preferences, attitudes, satisfaction and ways to improve familiarity, customer value, experience and competitive difference.

### Internal Brand Audit

Audience	Tools	Purpose
System and Program Leadership	Qualitative interviews	Review consumer research; determine critical success factors and criteria for gaining buy-in.
Employees	Focus groups or online survey	Understand gaps between consumer research and employee perceptions; determine alignment with the organization's goals and willingness to adapt to organizational change

Also included in this phase should be a messaging review of your publicly-available marketing and communication materials. Examples of materials to review include advertising (print, online, TV, radio), social media, websites and consumer education materials. If your brand has multiple names, logos or symbols, these materials should be organized and

reviewed. The goal of reviewing these materials is to create an inventory of how the brand promise is expressed. By creating this inventory and understanding how your brand is being expressed, you can identify key messages and visual vocabulary, as well as identify any gaps in consistency, tone, keywords, etc.

## **Create**

The create phase involves

- Carefully selecting a brand position that could provide your organization with marketplace advantages
- Translating that position to a strong and consistent brand identity, including:
  - Intuitive brand architecture Strong name and icon Tagline that succinctly reinforces brand promise
  - Developing brand messaging including an elevator speech
  - Educating employees about the brand promise, elevator speech and identity standards and giving them the incentives, tools and training to become effective brand champions
  - Developing an integrated launch and ongoing marketing plan

During this stage, information that you have learned from your brand audit and messaging review should be synthesized into a presentation that will serve as a basis for a discussion with the brand team. Your brand team should be brought together in a brand scenario workshop devoted to analyzing the research and brainstorming new ideas. It is important to maintain a collaborative environment in which the team has freedom to suggest ideas, ask questions and develop agreement around decisions. A collaborative approach enables the team to take ownership of decisions and ultimately act as champions for the brand.

Using insights and ideas from these discussions, brand scenarios can be created after the workshop is completed. Each scenario should include visual metaphors, a value proposition and positioning statement, service standards, the brand promise, and key messages. After the scenarios have been completed, the brand team comes together again for brand scenario

evaluation. To provide a framework for the discussions, the scenarios should be evaluated based on the success criteria that your brand team outlined at the beginning stage of this process.

Below is an example of a spreadsheet for scenario evaluation.

Once a brand has been chosen, documents can be created to guide decisions regarding the brand and to communicate brand standards. The following paragraphs and images describe these guiding documents.

**Brand Architecture:** This will guide decisions regarding entities of the organization that could benefit from the brand. This is particularly important if your organization has multiple facilities or partnerships, as it establishes the differences among current brands. This image (right) outlines the structure of a Brand Architecture.

**Message Map:** This will guide future communications from the master brand and any affiliated brands. Based on collective thinking from the brand team, you will outline how the brand is perceived today, how you want it to be perceived in the future, and how you will convince them. This includes attitudes to overcome, attitudes to reinforce, differentiating messages, reasons to believe and how to leave a lasting impression. The image to the right outlines the contents of a Message Map.

**The Brand Book:** This document provides guidance for marketing communication and executives. It is used as a guide to stakeholders in developing external and internal communications. Included should be your brand definition, reasons for change, how decisions were made, current perceptions, value proposition, positioning statement, service standards, brand promise, expectation of staff, and success measures. It should also be used as an opportunity to empower your stakeholders to become brand advocates who understand their role in bringing the brand to life and buy into the strategy

## Deploy

Near the completion of the previous stage, a detailed timeline should be created for deploying the new brand strategy to employees and consumers. This is an important opportunity to communicate about your

brand to your target audiences. Deployment will typically last between three and six months, depending on your needs, and includes:

- Strategic and tactical planning
- Defining success criteria and establishing benchmarks
- Developing training materials, web site content or sales collateral
- Determining the ideal customer experience (you can do this by using a qualitative research process called Experience Mapping, which engages consumers in in-depth interviews to understand their current and ideal experiences. You can learn more about Experience Mapping by reading our article, Experience Mapping – Growing by Understanding)

An important part of deployment is an internal launch that promotes understanding of the brand and how employees should enact the brand in their everyday behaviors. When employees feel included in the process and responsible for participating, they are more likely to buy into the changes. Sustaining long-term momentum will require routine communication that supports the brand and a commitment from management to make decisions with the brand in mind. Therefore, be careful to avoid the all-too-common mistake of thinking brand related communication is minimally important after this stage has been completed.

Below is a list of resources for deploying the brand to employees and customers.

Employees	Customers
<ul style="list-style-type: none"> <li>➤ Brand book</li> <li>➤ CEO letter</li> <li>➤ Launch video</li> <li>➤ Business cards/stationery</li> <li>➤ Intranet</li> <li>➤ Proposal/folders/collateral</li> <li>➤ On-site brand visits</li> <li>➤ PowerPoint template</li> <li>➤ Worksite posters</li> <li>➤ Building signage</li> </ul>	<ul style="list-style-type: none"> <li>➤ Questions/answers document</li> <li>➤ Video</li> <li>➤ CEO letter</li> <li>➤ Brochure</li> <li>➤ Tradeshow exhibits</li> <li>➤ Print advertising</li> <li>➤ Website</li> </ul>

## Monitor

Transforming branding initiatives to long-term cultural changes requires holding your organization accountable for results. Regular communication about the brand and setting expectations about how the brand will be protected through everyday decisions and service standards is of utmost importance. Some organizations create brand experience training programs that all new and current employees must complete.

Experience training workshops should include personal action plans in which employees develop specific goals for enacting the brand promise. Management then uses these personal action plans during employee evaluations. Or, action plans can be developed as a team and regularly referred to in team meetings. In this way, the promise of the brand is regularly talked about and monitored internally.

A particularly effective way to quantitatively monitor the brand is through online dashboards. They allow you to monitor employee alignment, customer satisfaction and touch point performance. Dashboard systems are hosted online, so they can be accessed anywhere, anytime. Most importantly, situations that may place the organization's relationships "at-risk" are escalated for service recovery. Below are activities that can be measured through a dashboard.

- Customer Experience Dashboard: Continuously monitors the customer experience and escalates at-risk issues via email. Our experience dashboard efficiently distributes information in real time for internal benchmarking and online reporting.
- Touch point Performance Dashboard: Our touch point performance dashboard using standard measures to test each new and existing touch point. This dashboard distributes information in real time to identify best practices and cost-effectively test new advertising (including TV and radio) before launch.
- Organizational Excellence Dashboard: Monitors employee commitment to the organization, prevailing attitudes and alignment with corporate goals. This tool is also used to monitor satisfaction with support functions within your enterprise.

## **Brand Portfolio Management**

There is no question that brand diversity is on the block. Several years ago, Unilever, wishing to reduce brand redundancy in the countries in which it operates, announced its decision to shrink its brand portfolio from 1,600 brands to 400 super brands. Japan's cosmetic giant Shiseido has cut its brand portfolio by 75 percent. Recognizing that its top ten brands account for half its sales, P&G has focused most intently on fourteen of its approximately 300 brands.

Meanwhile, megastores like Wal-Mart have opted to carry only the leading one or two brands (plus perhaps a private label) in any given product category, with the result that less profitable brands are being squeezed out of an increasingly less diverse market. But the trend goes far beyond volume discount stores.

Some problems that are connected to the management of the brand portfolio are more sensitive regarding organization, and only a supreme authority can offer a solution to all these. We will describe five issues sensitively connected to the management of the brand portfolio.

### **Allocation of Funds**

A first sensitive issue is allocating the funds taking into account each brand and its role.

If the fund allocation is not made based on analysis of relevance and performance of the brands, the stable brands and markets will get excessively high funds, at the expense of the future strategic brands.

### **Addition of New Brands**

The decision of adding extra brands and categories of brands must be made based on some clear indications, as at the organizational level. There is a propensity to increasing the number of brands by managers to attract customers. Nevertheless, launching new brands is an expensive process from the administrative, organizational and financial point of view. Moreover, it is a cumulative process as it represents a future commitment. In order to control the increase of the number of brands, there has to be a clear criterion to justify the addition of a new brand.

## Pruning Brands

A third issue connected to the portfolio, maybe the most delicate one, is crossing out the brands or dropping them. The companies and their employees get very much attached to the brands, which turn into a symbol of the prestige of their activity and their professional status. Thus, crossing out a brand is a process which is perceived as being threatening.. Sometimes, like the Unilever Company, which reduced their portfolio by removing 75% of the brands, a company may have to take harsh decisions to prune portfolio.

**Supportive organization** The fourth delicate issue that has to do with the portfolio management is the decision of supporting a brand by its vertical or horizontal expansion or with a supporting role. Nestle, for example, appointed a person in the leading team who could play a defending role of the brand for one of its great brands at the international level. One of that person's responsibilities is to see that the brand be not expanded in a market context that could affect its capital.

**Visual presentation** Visual presentations should be consistent in case of organizations having multiple divisions. The basic principles must be communicated to all those who will present the image of the brand, drawing some rules and easy to follow models and presenting their suitable color, the font size and the character which have to be used in each context. It is necessary that there be one person or a group that can interpret and ensure a consistency at the level of the visual presentation. Dell ensures the consistency in its visual presentations, partially and through some biannual business meetings, in which the executive directors and the chairperson of the company display on a wall all the visual presentations of Dell all around the world. Then those presentations that are not suitable for the brand image or are inconsequent in a way or another; the identified problems are usually corrected before the next biannual evaluation.

**Brand portfolio planning** Portfolio planning is to brand management as strategic planning is to budgeting. Like strategic planning, brand portfolio planning is a periodic, discrete event that allows managers to step back from the crush of daily problems and chart the course ahead. And just as the strategic plan looks across markets and business units to identify areas of opportunity and challenge, brand portfolio planning

looks across the entire brand set with an eye both for reallocating resources toward the areas of greatest opportunity and for identifying necessary interventions to prevent loss of competitive advantage. The framework for brand portfolio planning consists of five major steps.

### ***1. Review Brands***

First, prepare list of brands to be reviewed. Obtain information from legal department, which typically maintains the company's formal registry of trademarks. To that basic list must add two other less obvious sets of brands. The first is quasi brands (such as Big Blue for IBM) that might have their origins outside the marketing department. The second is partner brands that are closely associated with a company's brand (such as Intel Inside, which has become an important slogan for a number of computer manufacturers). After the complete list has been compiled, the information should be updated by deleting trademarks that are obsolete or no longer used. The final list must then be checked against all communications materials, such as business cards, advertising, marketing collateral, Web sites and so on.

### ***2. Analyze One's Contribution to the Company***

Make an analysis of standard financial numbers (annual revenues, direct marketing expenses and so on), executive time taken, as well as hidden benefits such as providing leverage with trade partners or a platform to extend a product line. With all those considerations in mind, managers then rank each brand (into top third, middle third or bottom third) relative to others in the portfolio according to both profit and overhead.

### ***3. Assess Market Position***

Assess the brands according to current market performance (traction) and future prospects (momentum).

Brand traction is a measure of how strong a brand is today. This metric consists of multiple indices from a variety of sources.

- ▶ From market research, what are the brand's relative competitive position and levels of awareness among both existing and potential customers?

- From the sales force and customer service, what issues are they hearing from customers as well as from distribution and retail channels?
- From the ad agency, how difficult is it to find relevant and substantial differences (other than price) versus the competition? And how loyal are the brand's customers, distributors, internal employees and other stakeholders?
- Lastly, how does the brand fit with the company, both operationally and culturally?

Brand momentum indicates how the brand is move in future. The numbers are deceptive sometimes, as decline comes unexpectedly. Managers need to ask both internal stakeholders (the sales force, marketing team and senior executives) and external parties (customers, competitors and the media) questions to get a good feel for a brand's true momentum. For example, in a meeting of the top marketers for a luxury car brand, the president of the division asked everyone what car they would drive if they didn't happen to work for the company. The response: 90% named a competitor's brand, a huge sign of upcoming trouble.

### Addressing Problems and Identifying Opportunities

Brands tend to fall into one of eight categories as shown in Table

**Brand analysis**

Category	Contribution	Traction	Momentum	Action
Power	High	High	High	Defend ferociously and deploy judiciously.
Sleeper	High	High	Low	With fast tracking grow it into a power brand.
Slider	High	Medium	Low	Fix it or sell it.
Soldier	Medium	Medium	Medium	Maintain.
Black hole	Low	Low	Medium	A loser, keep watch and phase it out.

Category	Contribution	Traction	Momentum	Action
Rocket	Low	Low	High	a brand that is on its way to power-brand status; Monitor and build.
Wall-flower	Low	High	Low	a small, underappreciated brand with very loyal customers, often underpriced and under marketed. Market it
Discard	Low	Low	Low	Loser. Drop it.

### Developing a Plan for the Portfolio

Make sure that each brand is working its hardest for the company, but the real opportunity (and challenge) in brand portfolio management is to make the entire range of owned and related assets perform collectively in an optimal manner.

- **Differentiate** - A portfolio solution is to create branded differentiators, branded features, services or programmes that provide a sustainable point of differentiation.
- **Energize**- The portfolio solution is to create a branded energiser, a branded product, promotion, sponsorship programme or other entity that will enhance and energise a target brand. The target brand which may be boring, can be linked to a brand that has substantial energy.
- **Extend** - A brand extension strategy leverages brands into adjacent product classes. In doing so it is useful to build brand platforms that will eventually span many products, perhaps using sub-brands rather than looking to incremental extensions. Brands can also be used to extend vertically. The super-premium market is attractive as it contains most of the product vitality and attractive margins. Vertical brand extensions are often compelling but they represent delicate brand portfolio issues because moving up involves brand credibility and moving a brand down involves risk.

- **Clarify** -. A portfolio strategy can enhance focus and clarity. One route is simply to reduce the number of brands, especially those that are strategic. Another route is to clarify the roles that the various brands would play, develop them for success in those roles and make sure they are used consistently. Still another is to leverage the corporate brand within the portfolio. This usually represents the people, values and culture of an organisation and it is often ideally suited to being an endorser brand.

Brand managers who request resources and senior executives who allocate them know all too well that brands compete for support in a quasi-zero-sum game, drawing from the same monetary and human pool. With marketing budgets relatively fixed from year to year and with different brands requiring different marketing strategies at various points over the brand life cycle, any misjudgments of brand potential or the window for action can make a huge difference in a company's bottom line. In short, the key challenge is knowing where and when to place bets.

### **Issues in Brand Management**

Effective brand management across multiple markets is a significant challenge for companies that enter new markets. More than half of the 145 senior executives from around the world surveyed by the Economist Intelligence Unit (EIU) state that it is becoming harder to maintain brand consistency. The main challenges in brand management are cultural barriers (64%) and language and translation issues (44%). However, over 66% gave thumbs up for the benefits of localization of marketing and branding efforts, agreeing that translation and cultural adaptation had a positive impact on sales in those regions.

### **Globalization**

With globalization, brand management is harder but more vital than ever. To avoid being just another commoditized rival competing solely on cost, companies that globalize need to have strong brands. However, operating in an international environment provides companies with considerable challenges. Forty-nine percent of firms agree that brand consistency is getting harder to achieve as they enter new countries.

## **Communication Channels**

Technology is introducing a plethora of new channels that marketers must deal with, from mobile phones and e-commerce web sites, to newer variations, such as blogs, wikis and podcasts. Forty-five percent of firms polled for this report agree that it is difficult to deliver a consistent customer experience across both online and offline channels, while 33% describe themselves as ineffective when it comes to online marketing. Almost 10% of executives polled for this report believe their global, regional and country-specific websites are entirely inconsistent.

## **Technology**

For many firms, a range of communication and collaborative technologies are helping them to manage their brand experience across multiple channels and geographies. For example, companies can effectively manage the life-cycle of brand-related materials, such as advertising posters or customer-facing websites, from creation in one language to publication in many different languages, using the Internet to facilitate consensus without losing control.

## **Legal Issues**

The issues relating to trade mark infringement and copying are to be tackled carefully with an understanding of the relevant acts. Cases of trademark violation are reported as often copy names, bottle and label designs as well as packaging to ride the popularity of other fast-moving brands are imitated. The copy brands tend to be priced slightly below the original and are aimed at the illiterate, value-conscious customer.

In case of liquor industry, we find a peculiar case of similarity. The bottles of Bangalore-based Chamundi Winery and Distillery's Blue Grapes brandy are similar to that of Mumbai-based Tilaknagar Industries Ltd's Mansion House brandy. "We didn't want to copy," says K. Rajendra, partner at Chamundi Winery. "The neck label, the cap and the colour of the carton packaging is different." The bottle shapes are the same, he admits, but that's only "because there are few bottle designers".

Fevicol is one brand that has to fight out frequently for its uniqueness and many tried to copy it. Box presents brief of a case it won.

### Fevicol Wins

FEVICOL' is the trade mark of Pidilite Industries Pvt. Ltd. the largest manufacturer of Synthetic Resin Adhesive in the country with annual sales of above ₹ 25 crores. The average amount spent on advertisement is claimed to be to the tune of more than ₹ 25 lakhs annually. The trade mark 'Fevicol' is registered under the Trade and Merchandise Marks Act since 2nd March, 1960 and has been continuously renewed and is valid and subsisting. The plaintiff has been marketing adhesives manufactured by it in plastic and tin containers with highly specific eye catching designs and colours. The plastic containers have particular shape and come in two colours white and blue and both have an identical pattern i.e. within a box made on the front and back of each container, the main features of which are word 'Pidilite' within a box on the top, a device of two elephants pulling apart a sphere below it and the words 'Fevicol' in bold letters below it, followed by the word Synthetic Resin Adhesive. Apart from plastic container it also claims to have tin containers with distinct dark blue background with a distinctive yellow band in the middle. The registered trade mark 'Fevicol' is written in the said yellow band with a distinct red colour scheme. The entire tin having the colour scheme of blue and yellow with big red lettering and small white lettering containing instructions has a distinctive and unique look. The name 'Fevicol' has become a household word in relation to synthetic resin adhesives and other allied products.

The use of the trade mark 'Trevicol' by the **Mittees Corporation** and use of plastic and tin containers which have an identical get up is deceptively similar to 'Fevicol' both visually and phonetically. It is bound to create confusion in the market and in the minds of unwary purchasers many of whom are illiterate carpenters. Earlier some other traders tried to infringe the mark by using words like Divicol, Devicol, Nevicol, Fixocol, Avicol, Firmcol and Hevicol' and they were restrained by courts from such use.

The court gave judgment in favour of Fevicol.

Source: Delhi High Court, Y Sabharwal- - AIR 1989 Delhi 157 retrieved from marks [doctypes: delhi](http://www.indiankanoon.org/search/?formInput=marks%20doc-types...3), www.indiankanoon.org/search/?formInput=marks%20doc-types . . . 3

## **Product Innovation**

Technological innovation often leads to new and better ways of solving old problems.

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

## **New Markets and Environments**

Brand management is a holistic system: it receives information from internal sources; it creates a structure to meet the needs of both internal and external constituents, and then develop strategies which should help attain competitive advantage. There are feedback loops which permit the system to receive information from a variety of sources so that the system can adapt to changes. When spreading business to new markets, managers must be careful in coping with cultural or language differences. The brand manager may press for flexible product designs that contain features important to all markets collectively or options that can be added readily to a basic design to satisfy local requirements. Brand management will be involved actively in seeking out, selecting from, and implementing an array of such options.

## **Strategic Alliances**

For many firms, strategic alliances with certain suppliers, distributors, and even former competitors are a key to future competitive strength. In the face of global competition, domestic firms may seek alliances with competitors, thus co-opting them and preventing their availability to competitors. To survive, companies often have to share

costs and risks, and therefore rewards. Increasingly, they also are forced to share knowledge, distribution, and even capital via strategic alliances that can stretch organizational capabilities and change the nature of brand management. The brand manager must coordinate with counterparts outside the firm as well as traditional contacts within. Co-branding extends to alliances between the complementary brand names of independent producers, for example, Ford's Citibank MasterCard. Other examples are: Co-Branding-(i) Intel & Compaq and (ii) Shell & Fiat Palio and Co-promotion - (i) Colgate free with Ariel (ii) Oracle with TCS.

## Summary

Brand management starts and ends with the management of the whole company orienting and working with focus on brand. Brand management is the application of marketing techniques to a specific product line or brand. Brand management was born on May 13th, 1931 when Neil McElroy, Promotion manager in P&G made out a memo which outlined role and responsibilities of brand men. Contemporary brand management plays a key role in creating brand health, brand trust and brand equity. Brand manager is designer of brand, communicator of its value to the market, creator of customers( associations, relationships, personality and image) and achiever of brand success ( health, trust, loyalty and equity). Gelb consulting company maintained that brand management process comprises four stages: understand, create, deploy and monitor.

The foundation for success begins with understanding of who will make decisions, the target audience and defining objectives, and how success will be measured. Identifying/defining customers and understanding what motivates them to choose the brand over your competitors' brands is an important input to brand management. A brand audit will give you a thorough understanding of your brand's current positioning by considering issues like Customer Value, Consistent Experience, Competitive Difference, and Awareness. Research and external audit will help understand how your brand is being expressed, you can identify key messages and visual vocabulary, as well as identify any gaps in consistency, tone, keywords, etc. The create phase involves carefully selecting a brand position that could provide your organization with marketplace advantages and communicating it to potential customers. Documents like Brand Architecture, Message Map and The Brand Book may be developed

to guide company people. Then a detailed timeline should be created for deploying the new brand strategy to employees and consumers. Through various methods, the promise of the brand is regularly talked about and monitored internally.

The main challenges in brand management are cultural barriers (64%) and language and translation issues (44%). Technology is introducing a plethora of new channels that marketers must deal with, from mobile phones and e-commerce web sites, to newer variations, such as blogs, wikis and podcasts. For many firms, a range of communication and collaborative technologies are helping them to manage their brand experience across multiple channels and geographies. The issues relating to trade mark infringement and copying are to be tackled carefully with an understanding of the relevant acts. Technological innovation often leads to new and better ways of solving old problems. For many firms, strategic alliances with certain suppliers, distributors, and even former competitors are a key to future competitive strength. The brand manager must coordinate with counterparts outside the firm as well as traditional contacts within.

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## Lesson 3.2 - Building Brands

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Identify the tenets of building brands
- Explain the process of building brands
- Identify major concerns in global brand building

### Introduction

Brands are more than just names and symbols. Brands represent consumers' perceptions and feelings about a product and its performance. Brands exist in the minds of consumers. Therefore, the real value of a strong brand is its power to capture consumer preference and loyalty. A strong brand is a valuable asset to the business who owns the brand. Some brands maintain their power in the market for years, even generations. Brands like Lifebuoy, Disney, Coca-Cola, Tide and many more, succeed the competitive battles in the market because they forge a deep connection with the culture and not just because they provide good benefits, reliable service or innovative technologies to the customer. Successful brand building and management requires an understanding of an organization's audience and what differentiates it from its competitors.

### Brand Building Focus

Brand building is a process aimed at creating strong brands. A common answer to the question what is a brand is this definition: "*a name, sign or symbol used to identify items or services of the seller(s) and to differentiate them from goods of competitors.*" Signs and symbols are part of the answer, but to us this is very incomplete. Brand building goes beyond development of a name and symbol..

Walter Landor, one of the greats of the advertising industry, answers the question what is a brand: *“Simply put, a brand is a promise. By identifying and authenticating a product or service it delivers a pledge of satisfaction and quality.”* According to this definition, brand building involves creation of identity and making a promise and keeping it up.

In his book ‘Building Strong Brands’ David Aaker suggests the brand is a ‘mental box’ and defines brand equity as: *“A set of assets (or liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service.”* This is an important point: brands are not necessarily positive!

Then, what is a strong brand. The “Inter brand brand valuation model” presents the seven components of brand strength as given under.

**Market: 10% of brand valuation.** Brands in markets where consumer preferences are more enduring would score higher. So for example, a food brand or detergent brand would score higher than a perfume or clothing brand, because these latter categories are more susceptible to the swings of consumer preference.

**Stability: 15% of brand valuation.** Long established brands in any market would normally score higher, because of the depth of loyalty they command. So for example: Rolls Royce would score higher than Lexus.

**Leadership: 25% of brand valuation.** A market leader is more valuable: being a dominant force and having strong market share matters. So for example on this score it is likely that the Coca-Cola brand would out-perform Pepsi on a global basis.

**Profit trend: 10% of brand valuation.** The long-term profit trend of the brand is an important measure of its ability to remain contemporary and relevant to consumers..

**Support: 10% of brand valuation.** Brands which receive consistent investment and focused support usually have a much stronger franchise, but the quality of this support is as important as the quantity.

**Geographic spread: 25% of brand valuation.** Brands that have proven international acceptance and appeal are inherently stronger than regional brands or national brands, as they are less susceptible to competitive attack and therefore are more stable assets.

**Protection: 5% of brand valuation.** Securing full protection for the brand under international trademark and copyright law is the final component of brand strength.

These definitions point out to the important aspects of brand and tasks of brand building.

- **Strong preferences-** Brand value is built in the minds of stakeholders. A brand is intangible and exists in the mind of the consumer. Brand building involves creation of identity and image in the mind of consumers. Different people have different perceptions of a product or service, which places them at different points on the loyalty ladder. Understanding the variations and developing relationship programs and campaigns is part of brand building.
- **Leadership and support** - A corporate brand can be the driving force for an entire business. Brands can live forever, so a 'future focus' is essential. Brands are to be built through consistency over time.
- **Market acceptance** - Brands are built through everything that we do and say. Always think, and talk, in terms of current and desired brand. However, a brand is built not only through effective communications or appealing logos. A brand is built through the total experience that it offers. So offer experiences. Migrate to new markets and create new campaigns.

### **Brand Building Process**

The process of brand building involves focusing on a brand and developing it with a clear understanding of consumer and competition. Knox and Bickerton(2003) identify six conventions of brand building. They are briefly described here.

- Brand context- understanding where the brand stands
- Brand construction – how the brand is positioned in accordance to customer and stakeholder value

- Brand confirmation -the way the brand is articulated to the rest of the organization and all of its audiences
- Brand consistency-delivering clarity to all stakeholders through its communication channels.
- Brand continuity –the alignment of business processes with the corporate brand
- Brand conditioning- the ability to manage and monitor the brand on continual basis.

More elaborately we can explain the brand building process as given under.

- Examine current brand management practices
- Define current brand architecture
- Prepare Marketing and Advertising department
- Orient organization to brand management
- Understand your customers and other stakeholders
- Understand your competition
- Determine Brand Positioning
- Develop corporate identity
- Create brand identity standards and systems
- Logo development
- Slogan development
- Campaign development
- Strengthen the legal protection of the brand
- Measure Success of a plan
- Review problems and opportunities

### **Examine Current Brand Management Practices**

What is the company doing to strengthen the brand? A brand management audit, and surveys and in-depth interviews with all marketing and advertising staff will provide an inventory of current practices, as well as current and future thinking about the brand within the organization.

## **Define Current Brand Architecture**

Construct a brand matrix and overlay it with business information, such as distribution, cost of sales, percent of sales, brand impact on the business as a whole, etc. As results are obtained from focus groups, surveys, interview, etc, the brand architecture matrix will be developed further.

## **Prepare Marketing and Advertising department**

Present an overview of the brand management process to your advertising and marketing group so that the final goals can be agreed upon, responsibilities clearly defined and focus maintained. Define the roles and duties of the Brand Management research team and establish a common brand management vocabulary so that your Marketing and Advertising Department can communicate with fewer misunderstandings, and more importantly, help communicate and reinforce key brand management principles throughout the rest of the company.

## **Orient Organization to Brand Management**

One of the most difficult tasks in brand management is transforming the organization from a low level of brand management to one that embraces it and actively builds the brand as an important source of sustainable competitive advantage.

Support for such a transformation has to start with senior management. This is true for B-to-B businesses, and especially true for manufacturers. The key to success for brand building is the effective delivery of the brand promise - the promise of a relevant, compelling and differentiating benefit to the target customers that is delivered at each *point of contact with customers* - from the executive who visits important customers, to sales people, customer service, advertising, public relations, the internet, etc. Only the support of senior management can make this kind of cultural evolution happen.

Prepare Strengths, weaknesses, opportunities and threats (SWOT) analysis for the company as a whole and organize surveys and interviews with senior executives and sales managers. It helps to gauge the current temperature for support and to get buy-in of a Brand Building Plan with senior management.

## Understand Your Customers and Other Stakeholders

On an ongoing basis all your brand stakeholders are important, and need to be incorporated into the brand management process. Collectively they build the value of your brand to your business. Identify them and prioritize certain stakeholders and address specific issues that need to be resolved.

- **Customers and consumers** - Research the customers and find out their preferences and purchase behaviours. Customer focus groups and surveys, Sales and customer service focus groups and surveys and Visits to outlets and stores where your products are sold can be of help.
- Customers are not always the consumer. A housewife will buy biscuits for her kids, and probably not eat them herself. She is the customer, but not the consumer. The consumer is a special type of 'purchase influencer' – and another key stakeholder in the brand.
- **Purchase 'influencers'**- Around each of your customers it is likely that there are a number of influencers. Consider these examples:
  - A 'family man' buying a new car, has the wants and needs of his wife and kids to consider. They are purchase influencers.
  - A teenager buying a DVD or video game, will consider its 'acceptability' to his/her friends, and the risk of it being rejected. The friends are purchase influencers.
  - An Office Manager considering a major office equipment purchase has the wants and needs of management and staff to consider. They are purchase influencers.
- **Employees / management** -Employees have a variety of different relationships with the brand, and can be one of the most important stakeholder groups (for all brands, but especially for service and corporate brands).
- **Strategic partners** -Strategic partners may be suppliers, distributors, retailers, technology collaborators, consultants, advisors, etc. How they see your brand has enormous impact on their perspective of the partnership: the opportunities that it presents and the value that it offers to them.

- **General public** - The general public can be a very important stakeholder group for a brand (particularly a corporate brand). This is true for small neighborhood businesses, just as it is for large global corporations. For both it can be equally important to be seen to be making a positive contribution to the community in which they operate.
- **Investors and potential investors** - On many occasions the investors are NOT a significant consideration in the brand management process. Get everything else right and investor perceptions will take care of themselves, because profits and revenues are their main measure. However, there are a few occasions when investors and potential investors can be the whole focus of a brand management process:
  - When the company is preparing to raise finances
  - When investor perceptions lag behind reality, and so are limiting the potential for growth of the business
  - During company re-organizations, acquisitions, etc, when rapid change makes it essential to manage the perceptions of this group
- **Brand influencers: professional advisors, media, etc.**-These are not your strategic partners, but industry influencers, whose advice and guidance is sought by your stakeholders. The media is an obvious example, relevant to almost all brands, but in some industries (especially in the business-to-business environment) there will be many other influencers.

### Understand Your Competition

When a company positions its brand in a customer's mind, it is positioning that brand against other brands. It is critical to understand the strengths, weaknesses, opportunities and threats (SWOTs) of each competitor along with the industry structure itself. This knowledge is important because you want to *uniquely "own" an important benefit in your customer's mind. Competitor information will come from all the customer and sales focus groups and surveys and from industry sources.*

- **Visit the retail outlets (or online store) of your competitors:** take time to look around, use the 'extended product' as a mental model and compare their offer to your own.

- **Look to your category, in overseas markets:** use the internet to explore your category, in overseas markets. You may just find new products, consumer trends, and ways of doing business that give you an insight into how to build your own brand.
- **Check out the ‘brand values’ of your competitors:** again, the internet is a great source of this information. If you don’t already know, take time to visit competitor websites, to better understand their desired brand. How does their desired brand differ from yours?
- **‘Mystery Shop’ your own brand and competitors:** Call the hotlines, enquire on their websites, sign up for communications, do everything that you can do to explore the ‘points of contact’ for your brand and your competitor’s brands. Are they living up to their desired brand? Are you?
- **Keep in touch with the opinion of friends and family:** Don’t become a bore about your business, but do let friends and family know that you value their honest opinion. Anecdotes of everyday experience can lead to valuable insights about the truth of your brand.
- **Keep in touch with technology:** Like it or not, technology is shaping our lives, our brands and our businesses. For some, tracking tech developments is fun, for others it can be a daunting task. Whichever group you fall into, it is essential to understand how technology is shaping your market: so take time to understand the trends.

### **Determine Brand Positioning**

Once the target customers have been identified and profiled, and competitors understood, this portion of the Brand Management Plan will focus on the three major components of brand positioning for a differentiating space in customer minds. Conduct Brand Positioning Workshops, involving key stakeholders such as company leaders and marketing and sales managers and Brand Essence Exercises as part of focus groups.

1. **Brand Essence** – the brand’s “heart and soul.” It is constant, timeless and enduring. Unchanging overtime, across geographies or in different situations.

2. **Brand Promise** – the promise of a relevant, compelling and differentiating **benefit** to the target customer that is delivered at each point of contact with customers
3. **Brand Personality** – the adjectives that describe the brand (trustworthy, appealing, unique, etc.)

Once these three elements are established develop a positioning for each brand and test resulting brand positioning with customer focus groups.

### **Develop Corporate Identity**

The establishment and continued maintenance of corporate identity is crucial for any business. Whether you are just starting out, or are reestablishing your brand because of a change of vision or positioning, reorganization, acquisition or merger, product line change, marketing strategy change, or any other reason

Oftentimes, this process begins with market research that helps to give everyone involved an accurate picture of what differentiates you from the competition and how your company is perceived by a diverse array of groups both inside and outside your organization.

This helps us to develop a specialized and distinguishable corporate identity for your company that portrays its culture, products, aims, and objectives. Differentiation is the key to this step of the process, as it defines your competitive advantage over rivals for both potential customers and employees. Once we understand what truly sets you apart from the competition, develop your own unique personality, including a logo, a tagline, a color palette, a collection of fonts, and identity guidelines to protect your integrity and effectiveness.

Don't get stuck with an outdated or unclear identity that confuses or, even worse, repels the consumers you're trying to attract. Even corporate identities that were effective in their day need to be updated over time as the organization or the public's attitude changes.. Change and develop the kind of clear and consistent identity that will serve you well for years to come and form the core of your public relations and advertising campaigns.

## **Create Brand Identity Standards and Systems**

Simply having a consistent logo and tagline is not enough to guarantee that your advertising and communications materials will all have a recognizable look and feel.

Developing and implementing personal identity guidelines will enable you to maximize your campaign's effectiveness.

- Design - They set out clear-cut, easy-to-follow rules on how each of your different brand elements (logos, taglines, colors, and fonts) can be sized, spaced, and used in relation to one another.
- Style – They guide how we use the different elements of the corporate identity in relation to one another creates a style that we can reproduce in all of the materials including materials for internal use such as employee communications or conference presentations.
- Consistency - They help maintain a consistent brand identity. With these identity guidelines, you can always be sure that the final product of any formal communication- both internal and external will fit firmly within your overall brand identity, regardless of who designs it.

The following activities are essential for standardization.

- Publish brand identity standards and systems accessible on intranet sites: use and treatment of names, logos, taglines, typography, symbols, package design, brand voice, visual style etc.
- Develop a corporate graphics style.
- Develop a simple, formal methodology for your Marketing and Advertising to address internal customer needs for communications (printed sales pieces, letters, trade journal advertising, etc.).
- Develop Brand message guidelines and the use of scripts for sales and customer service.
- Develop a methodology for Marketing and Advertising to evaluate the effectiveness of their communications.
- Create photo libraries

## Logo Development

Nothing packs as much graphical punch into a tiny package as effective logo design. A successful logo captures the essence of your organization and transmits it to the viewer each time they see it.

Always follow one basic rule: “keep it simple.” Complexity does not work well in logo design. A logo should clearly communicate a single concept or feeling to the viewer, not everything about your organization. For purely graphical reasons, complex logos are also a mistake. A logo often needs to be reproduced at quite small sizes without losing readability; complex logos will always fail this test.

Another common mistake made in amateur logo design is the use of rasterized (made from individual pixels) images or gradients. These logos often have trouble being reproduced accurately, becoming a muddled gray mess after a few bad photocopies, faxes, or cheap newspaper reproductions. Clean, clear shapes made up of angles and curves usually work best, along with logotypes made up of stylized letters.

Your logo is the cornerstone of your corporate identity, and make it truly shine!

## Slogan Development

Effective slogan development can be worth its weight in gold. It is only a few words but they can make a powerful impact. That’s why slogan development is such an important part of any marketing, advertising or recruitment campaign. Many companies even incorporate a slogan or tagline into their logo to add that extra pop.

Recognize the importance of these precious few words to your corporate identity, and spend the time and the resources to make sure we hit the nail right on the head. Just because they may only be a few words, we cannot whip them up on the spot. It requires conducting market research, employee surveys and even holding competitions to craft that special phrase that can really make a difference to your business.

## **Campaign Development**

Effective advertising campaign development starts with a clear understanding of your audience and the message you want to deliver. It starts with an effort to have a solid understanding of our business. Through research, discussions with the employees, and prospective customers, we learn what differentiates our product from all of its competitors.

Gaining an understanding of their targeted audience is equally important as we have to design a message that appeals to their needs, aspirations, and desires. Solid campaign development is not about being “cute” or simply “eye-catching,” it is about creating a real connection that motivates your audience to respond. This is what the best advertising campaigns have always accomplished.

Consistency is also crucial in campaign development. When translating our campaign’s message into different formats (from print publications to online banner ads to trade show displays), we make sure to keep key elements consistent so that each media piece is clearly a part of a larger advertising campaign. In this way, each part of the multimedia mix reinforces the message in the viewer’s mind and ends up having an even greater impact.

## **Strengthen the Legal Protection of the Brand**

Make a review of the legal protection of the brand. This should cover:

- Any known infringements of the brand’s legal properties, how they were handled, and what can be learnt.
- Any changes in legislation that could make a difference to brand protection
- Current legal status of the brand and its legal properties.
- Opportunities for achieving additional legal protection for the brand.

How these issues are addresses will depend on the markets in which the brand currently operates (and intends to operate) and the legal framework that exists in those markets.



### Rolls Royce

The Rolls Royce engine grill is one example of the physical product that is also a strong brand attribute, and protected in law as a result. For other brands it may be the curve of a computer case, the design of a retail outlet, the layout of a hotel lobby – all elements of the physical product that are instantly recognizable by consumers and associated with the brand.

### Measure Success of a Plan

Moving the customer from brand awareness to brand insistence will reflect the growth of brand value. Factors influencing brand insistence are: awareness, differentiation, emotional connection and value. The outcomes are: decreased price sensitivity, increased customer loyalty, and increased sales.

### Review Problems and Opportunities

This may include reviews of:

- How to improve working relationships between the various teams with brand management responsibilities
- How to improve all the 'marketing information' activities relevant to the brand
- How to improve key strategic brand relationships (suppliers, partners, distributors, etc)

### Building Global Brand

Leading an organization with global brands such as Unilever's Dove, Sony Ericsson's mobile phones or Coors Light presents a new set of challenges to the top marketers, from leadership to organizational structure. It isn't easy to "unlock" brand value. Success requires insights, skills and competencies that many marketing leaders simply have not been trained in or exposed to. But it is possible to get it right. You need to build the ultimate marketing machine.

Unilever's Dove was known best in the U.S. not as soap, but as a beauty bar, one quarter of which was cleansing cream. Today, via its "Campaign for Real Beauty," Dove is known around the world as brand committed to making women feel beautiful ... and sells a lot of soap bars doing it. The company has dramatically improved innovation focus, its speed to market, and its ability to leverage marketing efficiencies across markets.

What do you need to do to ensure your company's global marketing effectiveness? Connect, inspire, focus, organize and build.

**Connect:** Building interdependence. Succeeding globally requires ensuring that all players share a common understanding of the market realities at both local and global levels. Connecting is about building trust and an interdependent mindset. Key local teams need to know that their market's success is what drives the global team's work. Global teams want to see that looking for similarities, rather than differences, is the prevailing mindset among local marketers.

Jennifer Davidson, Coors Light global marketing leader, was recently charged with bringing together the company's first global brand team, developing the first global growth strategy, and connecting previously autonomous regional marketers. Coors Light is Molson Coors' first brand ever to be assigned a dedicated global brand team. Her solution was to align all Molson Coors' marketers and their ad agency counterparts behind the brand's growth vision. The new global leadership team streamlined the number of initiatives being worked on, and institutionalized the regular updates and key performance indicators they chose to monitor.

**Inspire:** Energize passion around the brand. Behind every successful global brand is the gem of a universal insight that both attracts consumers and also inspires all who work with the brand. Effective leaders of global brands instinctively understand the importance of igniting passion for the brand internally. These chiefs strive to ensure that the passion is nurtured, which in turn powers the brand's growth.

Dove's Campaign for Real Beauty did just that. Unilever's research unearthed a stunning finding: only 2 percent of women in the world felt comfortable saying they were beautiful. Even young girls felt fat. From that

insight, Silvia Lagnado, the Unilever executive responsible for building the Dove brand globally, and her team derived the importance of building women's self-esteem, and embraced it as their mission to forge a stronger emotional bond between the Dove brand and consumers everywhere.

Lagnado successfully united and mobilized the organization around the mission by communicating smartly with a variety of tools: conferences, Web chats, newsletters and personal interactions. Rather than "sell" her vision for the brand too much, she employed what we call global marketing "servant leadership." This combines a genuine in-depth focus on key markets and concern for addressing local marketers' needs with very clear communication of the non-negotiable global brand direction.

**Focus:** Set global brand priorities that win big. Vigilant focus on and commitment to an agreed-upon set of global brand priorities are crucial to the success of a global brand. The new Coors Light global leadership team has focused consolidating big marketing initiatives and developing a one-page global brand strategy that clarifies the brand vision, mission and strategy.

**Organize:** Clarify and enforce roles and responsibilities. The greatest pitfall that the companies we have studied struggle with is failing to clarify roles and responsibilities early on. Defining the operating model and roles on key decisions is important; even more crucial is enforcing the model and required behaviors. When behaviors inconsistent with the new operating model are tolerated, particularly among leaders, the result is significant delay and frustration.

Over the last year, handset manufacturer Sony Ericsson has rigorously reorganized its global marketing organization to focus on accelerating growth and global marketing efficiencies. Like Sony Ericsson, many global brands are shifting innovation and communication platform development responsibilities away from local (i.e., the countries) and into global brand teams. The consistency, cost and speed arguments for this are strong. Companies can often cut staff levels and increase the local team's focus on market activation. Sadly, these local marketers who are arguably in the most challenging and exciting changing marketing environment (social media, new channels, etc) often receive far too little support, training and recognition for their work on the new battlefield.

**Build:** Harvesting and leveraging brand expertise Global marketing growth and efficiencies are accelerated when the company's marketers everywhere speak one common marketing language and quickly build on each other's successes and mistakes. How to do that? Cultivate a community of marketing excellence within the company that enables marketers to share success and failure, and quickly adapt and apply lessons learned. Leaders must reinforce this by rewarding the right behaviors and putting the enablers in place to facilitate the required information flow and change.

Lagnado's global Dove team worked closely with Unilever's marketing knowledge management group to create the Dove Planet, a brand intranet that addresses all significant brand questions and provides in-depth experience, results and guidelines.

Without question, Lagnado did something right: When archrival P&G's CMO was asked to identify the competitor he most respected, he focused on the significant global growth of Dove and the Real Beauty campaign. Her work resulted in extraordinary international growth for the brands and clearly demonstrates the importance of adopting building an optimal marketing machine, led by a global marketing CEO.

### **Summary**

A strong brand is a valuable asset to the business who owns the brand. Some brands maintain their power in the market for years, even generations. Brand building is a process aimed at creating strong brands. Tasks of brand building include creating strong preferences, providing leadership and support, and gaining market acceptance. Knox and Bickerton(2003) identify six conventions of brand building. They are -Brand context, Brand construction, Brand confirmation, Brand consistency, Brand continuity and Brand conditioning. More elaborately brand building process includes the following steps:

Examine current brand management practices - Define current brand architecture - Prepare Marketing and Advertising department -Orient organization to brand management - Understand your customers and other stakeholders -Understand your competition - Determine Brand Positioning -Develop corporate identity -Create brand identity standards

and systems - Logo development - Slogan development -Campaign development -Strengthen the legal protection of the brand -Measure Success of a plan -Review problems and opportunities. Global brand building involves four measures: Connect, inspire, focus, organize and build.

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## Lesson 3.3 - Brand in Retail Management

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### Learning Objectives

*After studying the lesson, you will be able to:*

- Explain the importance of branding retail
- Distinguish retail branding with product branding
- Describe the factors influencing retail brand management
- Identify the challenges to retail brand management
- Give real life examples of retail brand management

### Introduction

With the growing realization that brands are one of a firm's most valuable intangible assets, branding has emerged as a top management priority in the last decade. Given its highly competitive nature, branding can be especially important in the retailing industry to influence customer perceptions and drive store choice and loyalty. For retailers, it is important to have a better understanding of how retailers create their brand images, paying special attention to the role of the manufacturer and private label brands.

### Importance of Branding Retail

A true brand is instantly recognized and identified. The brand name passes into every day use (Nike's 'Just do it') or becomes satirized ('Don't be such a Duracell') or appropriated ('Make a Xerox of this document'). Indian retailers like Shoppers Stop, the RPG Group's Food World and Music World have already earned national recognition. Subiksha in Tamilnadu and 'Margin Free' supermarkets in Kerala are household names in the two states.

A hypermarket or department store, may offer several well-known brands, but in today's competitive world cannot afford to rest on its strategic

product assortment and pricing initiatives to bring in the customers. The retailer must attempt to brand himself differently, especially when today's product brands are being launched through their product brand's own shops. (Examples in the shoe segment – Nike, Adidas and Reebok. Jeans segment – Lee and Wrangler, Perfumes –Hugo Boss. )

### **Retail Branding vs Product Branding**

A few differences between retail and product branding are identifiable.

- **Contact with customer** – In many cases products have an anonymous or even fictitious presenter, whereas in retail, consumers come in direct contact with the company and/or product. A Cadbury's Dairy Milk chocolate bar, for example, is a product made according to a set recipe in a factory that is not open to the public. In addition, the people who work there never come into contact with the consumers because the retail channel lies in between. And those who do sell the 'dairy milk' to the end-consumer (the retailers) do not have very much to do with it by virtue of their function. Therefore it is possible to conceive a brand identity for the product, establish it for a specific target group and then fix it in the minds of consumers. Compare the identities of 'Five Star' 'Perk', 'Gems' and 'Temptations': all very different, yet they come from the same manufacturer. Contrast this with a store like Food World, for example. Because of its direct contact with the end-user, it must effectively live up to its brand reputation in every aspect, every day.
- **Change** - Product marketers can innovate and change their brands at regular intervals. A retail store, as said earlier, is the container that holds the entire formula. All the elements of the formula (including the elements of the marketing mix) come together in-store. The formula should be deliberately shaped from the standpoint of identity (the 'brand' of the retail organization) with mutual coordination of the elements being important. It is relatively difficult to introduce novelty at regular intervals.

### **Factors Influencing retail Brand**

Researchers have studied a multitude of retailer attributes that influence overall image, e.g., the variety and quality of products, services,

and brands sold; the physical store appearance; the appearance, behavior and service quality of employees; the price levels, depth and frequency of promotions; and so on. Lindquist (1974) and Mazursky and Jacoby (1986) categorized these attributes into a smaller set of location, merchandise, service, and store atmosphere related dimensions. A retailer's brand equity is exhibited in consumers responding more favorably to its marketing actions than they do to competing retailers (Keller 2003). The image of the retailer in the minds of consumers is the basis of this brand equity. Box lists the various factors that have significant influence on branding a retail business.

- Factors influencing retail branding**
- Access
  - Store atmosphere
  - Price and promotion
  - Brand architecture
  - Experiential marketing
  - Cross Category assortment
  - Within-Category Assortment
  - Brand assortment
  - Private label strategy
  - Brand value and positioning
  - Brand personality
  - Brand equity

### **Access**

The location of a store and the distance that the consumer must travel to shop there, are basic criteria in store choice decisions. Today, suburban sprawl, greater driving distances, the appearance of new warehouse retail formats that are often located in large spaces away from residential areas, and online retailing have made location somewhat less central as a store choice criterion.

That is not to say, however, that location is unimportant. Consumers' store choice may be based on different criteria depending upon the nature of the trip. For instance, small basket, fill-in trips are very unlikely to be

made to distant or inconvenient locations. And, retailers in some formats, like convenience, drug, or supermarket have less flexibility in their location decision than mass merchandisers or malls.

### **Store Atmosphere**

Atmosphere elicits from consumers three types of response: pleasantness, arousal, and dominance. This response, in turn, influences behavior, with greater likelihood of purchase in more pleasant settings and in settings of intermediate arousal level. Different physical features of a retailer's in-store environment, or atmosphere are: design, lighting, and layout, ambient features like music and smell, and social features like type of clientele, employee availability and friendliness.

From a branding perspective, an appealing in-store atmosphere offers much potential in terms of crafting a unique store image and establishing differentiation. A pleasing in-store atmosphere provides substantial hedonic utility to consumers and encourages them to visit more often, stay longer, and buy more. Although it also improves consumers' perceptions of the quality of merchandise in the store, consumers tend to associate it with higher prices.

### **Price and Promotion**

Price represents the monetary expenditure that the consumer must incur in order to make a purchase. Related to price, there are three areas that are of direct relevance to consumers' image and choice of retailers.

***Retailer pricing format.*** A retailer's price format, which is on a continuum between EDLP (Every Day Low Price) and HILO (High-Low Promotional Pricing), also influences consumers' store choice and shopping behavior. Average prices are higher in HILO stores and average purchase quantities are lower.

Bell and Lattin (1998) show that "large basket shoppers" prefer EDLP stores whereas "small basket shoppers" prefer HILO stores.

- Large basket shoppers are captive to the pricing across a large set of product categories at a time and do not have the flexibility to take

advantage of occasional price deals on individual products. They therefore prefer EDLP because it gives them a lower expected price for their shopping basket.

- Small basket shoppers, on the other hand, can take advantage of variations in prices of individual products and, by buying on deal, can lower their basket price even if average prices in the store are high.

**Store price perceptions.** A retailer's price image is influenced by attributes like average level of prices, how much variation there is in prices over time, the frequency and depth of promotions, and whether the retailer positions itself as EDLP or HILO. Products with high unit prices and high purchase frequency contribute more to overall store price image (OSPI). The belief of price advantage and the magnitude of price advantage in case of high frequency shopping items influence consumers' perceptions of store price level.

**Price promotions** Price promotions are associated with store switching but the effect is indirect, altering consumers' category purchase decisions while they are in the store rather than altering their choice of which store to visit.

Consumers typically shop in more than one store. They may purchase a promoted product in the store they happen to be visiting whereas they would otherwise have purchased it in another store. This also reiterates the important moderating effect of in-store atmosphere. The impact of promotions will be higher in a pleasant atmosphere because the longer consumers stay in a store, the more likely they are to notice promotions and buy more than planned during the shopping trip.

### **Brand Architecture**

Brand architecture involves defining both brand boundaries and brand relationships. The role of brand architecture is two-fold: 1) to clarify all product and service offerings and improve brand awareness with consumers and 2) to motivate consumer purchase by enhancing the brand image of products and services.

In general, there are three key brand architecture tasks:

1. ***Defining brand potential.*** What can the brand stand for? What should the brand promise be? How should the brand be competitively positioned?
2. ***Identifying opportunities to achieve brand potential.*** What products or services are necessary to achieve the brand potential? What markets should be tapped to achieve growth?
3. ***Organizing brand offerings.*** How should products and services be branded so that they achieve their maximum sales and equity potential?

In a retailing context, brand architecture issues revolve around how many and what kind of products and services are provided by the retailer (i.e., cross- and within-category assortment) and how the various products and services are branded.

Within the store, other brand architecture issues also exist.

1. Should the retailer develop brands for different sections of the store or groups of branded products or services?
2. How can the retailer add value to already-branded products and services?
3. Does creating sub-brands under the retailer brand name help increase awareness or enhance the image of the brands that are being sold?

Retailers need to carefully design and implement a brand architecture strategy to maximize retailer brand equity and sales.

### **Experiential Marketing**

An important trend in marketing is experiential marketing – company-sponsored activities and programs designed to create daily or special brand-related interactions. Schmitt (1999) has developed the concept of Customer Experience Management (CEM) – which he defines as the process of strategically managing a customer’s entire experience with a product or company.

Retailers are obviously in an ideal position to create experiences for their customers. These experiences may involve their own private labels, manufacturer brands, or not be tied to a specific product but the store as a whole. A related issue is how retailers can engage in activities, perhaps in collaboration with national manufacturers, to encourage product use and communicate or demonstrate product information to build brand awareness and enhance brand image for the individual products or services that are sold. How can in-store merchandising, signage, displays, and other activities leverage the equity of the brands that the retailer sells while still building its own equity?

### **Cross-Category Assortment**

Consumers' perception of the breadth of different products and services offered by a retailer under one roof significantly influence store image. Inman, Shankar, and Ferraro (2004) show that consumers associate different product categories with different retail formats. Bell, Ho, and Tang (1998) also argue that consumers build both category independent and category-specific store loyalty.

The benefits of a wide assortment are clear.

- First, the greater the breadth of product assortment, the greater the range of different situations in which the retailer is recalled and considered by the consumer, and therefore the stronger its salience. As noted by Keller (2003), salience is the most basic building block for a brand.
- Second, the one-stop shopping convenience that a broad product assortment enables is becoming more important than ever for today's time-constrained consumer putting pressure on retailers to broaden their assortment.
- Third, consumers regularly shop at more than one store, and, they may purchase a category in the store that they are visiting based on in-store assortment and marketing mix activities whereas they would otherwise have purchased it in another store. Together with the fact that unplanned purchases comprise a significant portion of consumers' total shopping basket, this gives an advantage to retailers with broader assortments.

Increasing assortment breadth brings with it significantly higher costs for the retailer. The logic and sequencing of a retailer's assortment policy are critical to its ability to successfully expand its meaning and appeal to consumers over time.

- ▶ Enhanced broad assortment can create customer value by offering convenience and ease of shopping. As such, retailers are most likely to be successful if they expand their meaning and assortment in gradual stages, as for example Amazon, or even Walmart, did.
- ▶ Certain types of product categories have "signature" associations with specific channels, e.g., supermarkets with food, drug channel with medications and health products, and mass merchandisers with household items. Consumers may find it difficult to think of the retailer in connection with other, very different categories. However, there may be little long-term harm as long as the new line is not too closely connected to the retailer's signature categories or its own brand name.
- ▶ Of course, the retailer's image and reputation would be more vulnerable if the expanded product assortment is a private label branded under the store's own name.

### **Within-Category Assortment**

Consumers' perceptions of the depth of a retailer's assortment within a product category are an important dimension of store image and a key driver of store choice. As the perceived assortment of brands, flavors, and sizes increases, variety seeking consumers will perceive greater, consumers with uncertain future preferences will believe they have more flexibility in their choices, it is more likely that consumers will find the item they desire.

More offerings in a category, however, can be costly both for the retailer and the consumer. From the viewpoint of the retailer, cutting out 20% of the most inefficient items from its assortment can mean savings of several million dollars per year for a large chain. From the viewpoint of the consumer, increasing the choice set leads to cognitive overload and uncertainty and can actually decrease the likelihood of purchase. Research has shown that SKU reduction does not lower consumers' perceptions of

assortment much unless their favorite item is dropped or the total amount of space devoted to the category is reduced.

### **Brand Assortment**

Brand assortment, has become particularly important in the last decade as a tool for retailers to influence their image and develop their own brand name.

Manufacturer vs private labels- Most retailers carry manufacturer brands, but, increasingly, they also offer private label products.

Private label growth could be seen in some ways as a consequence of cleverly designed branding strategies.

The users span a wide array of demographic and psychographic characteristics, so retailers who use a strong private label strategy are not limiting themselves to only a narrow section of the market.

The negotiating leverage provided by a successful private label can make it easier for a retailer to strengthen some of the other levers of brand image, e.g., more attractive prices and promotions for the best national brands. The quality of manufacturer brands positively influences consumers' image of the retailer. In turn, strong retailer image spills over to improve ratings of private label products.

There is significant variation in private label share across categories, and the quality differential with national brands is a much more important driver of share than the price differential. But, it is not clear whether private labels really improve store loyalty, and though analytical research suggests that positioning next to the leading brand is a smart strategy for maximizing category profit, it is not clear whether such positioning is credible in the minds of consumers.

## **Private Label Strategy**

There are at least four tiers of private label products, ranging from low quality, no-name generics to cheap, medium quality own labels to somewhat less expensive, comparable quality private labels, to premium quality, high value added private labels that are not priced lower than national brands. In Europe, especially in the U.K., one can find many examples of the last two tiers, most notably Marks and Spencer's or Tesco's private labels. In North America, brands such as GAP, Tiffany, Brooks Brothers, and Talbots have established strong, premium private labels, but Loblaw's Presidents Choice may be the only really successful example of a premium private label in packaged goods.

However, more retailers are attempting to create a line of private labels that spans these tiers. For instance, the supermarket retailer Kroger offers a line of three private labels – the premium quality “Private Selection”, the Kroger Brand that is guaranteed to be better than or equal to national brands, and the most economical FMV brand (For Maximum Value).

Consumer perceptions of a private label product branded under the store name are more likely to color their impressions of the store as whole – and vice versa – than if a different name were used to brand the product. Many retailers give their own name to their private label, whereas others use different names for their private label products. For instance, CVS puts the “CVS” name on all its private label products while Kmart does not. Aldi, a German hard discounter who is becoming a major force in European retailing, also does not put its own name on any of the products it sells even though only private labels are sold in its stores.

## **Brand Value and Positioning**

The retail brand has to embody and transmit clear values to the customer. (Like ‘value for money’, ‘Luxury shopping redefined’). Some companies have attempted to define this in their mission statements but they are often too vague and not actionable. For example the U.K. Virgin brand has the value of challenging conventions and the U.S. retailer Nordstrom has a built a value of customer service. Many Indian product brands have successfully weaved values around their brands (Hamam on ‘trust’, Godrej on ‘quality’ and TVS on ‘service’).

Retailers have to develop a consistent value across their businesses.

### **Brand Personality**

Much of the theory and practice of branding deals with intangibles – how marketers can transcend their physical products or service specifications to create more value. One important brand intangible is brand personality – the human characteristics or traits that can be attributed to a brand. The applicability of these brand personality dimensions to retail brands is still in its nascent stage.

### **Brand Equity**

The measurement of brand equity has been one of the most challenging and important issues for both academics and managers. As if the measurement of brand equity were not hard enough, the measurement of retail brand equity adds its own unique challenges. Brand equity is defined as the marketing effects or outcomes that accrue to the product or service with its brand name as compared to the outcomes if that same product or service did not have the brand name (Keller 1993). What should be the benchmark for assessing a retailer's equity and comparing it with other retailers?

- ***Profit analysis*** using cross-retailer hedonic regression type of approach. For instance, one could regress retailer revenue or profit on various physical attributes such as location, square footage, store timings, product/service assortment, availability of private label, etc. A retailer's residual from this regression, i.e., the portion of its revenue or profit that cannot be explained by physical attributes, can be conceptualized as a measure of its retail brand equity.
- ***Premium analysis***- Brand equity is supposed to enable the brand to charge a price premium. Many researchers view this price premium as a measure of brand equity (Aaker, 1991 and Sethuraman 2000). However, several of the strongest retailers today, e.g. Walmart, Target, Aldi are built squarely on a low price positioning. Clearly, the fact that these retailers charge lower prices than their competitors does not mean they do not have equity
- ***Resource premium analysis***- Another way to conceptualize retail brand equity is to think in terms of the “resources premium” that

consumers are willing to expend in order to shop with the retailer. Resources may reflect financial considerations but also other factors such as distance traveled, brand or size preferences compromised, or services foregone.

## **Relationship Management**

The quality of management of the customer is becoming an increasingly important source towards building the retail brand. Retail brands get built by developing personal relationships with consumers rather than only through product and pricing

Retailers need to build data bases using in-store data collection and launch frequent shopper rewards, carry on an interactive communication with them, make special offers, drive traffic and add value outside the in-store relationship.

Staff should be trained to recognize their V.I.P customers. 'Soft' rewards for V.I.P customers include priority service, free gift wrapping, enhanced guarantees and sales pre-notifications. 'Hard' benefits include privileged rewards and extra value offers as well as straight discounts.

Education and training of staff needs to be done to enhance customer service. The quality of in-store service is a key factor in differentiating the retailer and winning a higher share of customer spend. In one survey, shoppers were asked, would they ask for the same salesperson on their next purchase visit; the 'yes' respondents were found to more likely give the store a 8-10 rating. On the other hand, shoppers unhappy with the salesperson gave the store a very low performance on overall service and performance. Staff must be trained and motivated to recognize their best customers and to offer them superior service.

Local store management can be empowered to maximize the value of each customer visit.

Analysis of customer behavior can guide store merchandising to match the profile of their customers and even the needs of the shoppers at different times of the day.

## Branding Challenges

Some of the challenges that retailers face in India are outlined here.

**Petroleum retailing** - India's state-owned petroleum companies are undertaking a massive image improvement, makeover and differentiator exercise. From signage to logos to canopies, clean floors, channel music, lighting, convenience stores, uniformed attendants, internet browsing and promotion schemes, the public sector pumps are working hard at delivering a new experience to the Indian motoring consumer. All this, of course, is being done as part of a bigger game plan to cope with the coming private sector competition from Reliance, Essar and Shell.

The organized coffee retail business is estimated at ` 250crores and is showing a growth rate of 40%. Apart from the Quickys, Café Coffee Day and Baristas chains, the Tatas have Launched their Bean Coffee Junction chain in Chennai.

**Gourmet coffee retailing** - Coffee World an international gourmet coffee chain is set to launch its outlet in Bangalore this year. Reliance is offering gourmet coffee at some of its RelianceWebWorld outlets under the brand name 'Java Green'. There are not more than 350outlets in the organised sector today but retail consultancy KSA Technopak opines that India's potential for coffee retail outlets could be around two thousand. However, the coffee retailers are already cloning each others' strategies - by offering that "totalexperience" — right coffee, food and ambience with Wi-fis and jukeboxes — to pull customers, across all their outlets and consumers are finding it hard to identify themselves with any one outlet.

**Malls**- A mall has a more modern structure and in most cases brings multiple brand outlets under a single roof. The local retailers moving into malls, however, have to face the challenge of building brand recognition and loyalty right from scratch. Most mall developers have on offer, the same combination of shopping (International/national brands), Entertainment (Theatre Multiplex) and food (McDonald's/Pizza Hut/Café Coffee Day) in their malls. It is therefore not surprising to note, that many mall visitors come out having no shopping bags, since they have been enticed to visit only for watching a movie and / or having a burger or a pizza or even a cup of coffee. Malls are also fast becoming a place that youth can 'hang out,'

but if the crowds do troop in, but the cash registers are not ringing, it can harm the serious business of retailing and hurt this nascent industry on the growth path. The critical lesson for mall developers is, to invest some quality effort in understanding the shopping-needs of customers in their targeted areas, and then build a carefully planned portfolio of retail options that can meet the needs of these targeted customers. Mall developers also have to create distinctive (brand) identities for their specific malls.

**Lifestyle retailing:** Life style retailing is struggling for distinct identity. Take the case of Chennai lifestyle retailers — LifeStyle, Westside, Shoppers' Stop, and Globus, who account for a little over 200,000 square feet of retail space. Add to that the retail space of the traditional apparel retailers such as Nalli, Kumarans, Pothy's, R.M.K.V and Chennai Silks. The reasonable real estate prices, overall lower cost of operations and accessibility to consumers vis-à-vis other metros, have spurred the growth of organized retail at Chennai. But, on the brand building front, the story is no different. A retail analyst has already observed that Chennai's over-retailed in the lifestyle segment, with little differentiation among the players.

### Case of Big Bazaar



The retail format of the Big Bazaar group includes Aadhar, Rural & Home-Town retail chain, Ezone home-improvement chain, sportswear retailer, depot and music chain. This retail store is a subsidiary of Future group, Pantaloons Retail India Ltd. Big Bazaar group offers more than 136 stores all over the country. Every Big Bazaar outlet is owned by the company, and not franchised out to anyone to ensure quick changes to its entire retail chain. Kishore Biyani, the promoter of the group likes to address himself as “Chief Knowledge Officer”.

**Vision** Future Group shall deliver Everything, Everywhere, Every time for Every Indian Consumer in the most profitable manner. **Mission** We share the vision and belief that our customers and stakeholders shall be served only by creating and executing future scenarios in the consumption space leading to economic development. We will be the trendsetters in evolving delivery formats, creating retail realty, making consumption affordable for all customer segments – for classes and for masses. We shall infuse Indian brands with confidence and renewed ambition. We shall be

efficient, cost- conscious and committed to quality in whatever we do. We shall ensure that our positive attitude, sincerity, humility and united determination shall be the driving force to make us successful. **Core Values**

- Indianness: confidence in ourselves.
- Leadership: to be a leader, both in thought and business.
- Respect & Humility: to respect every individual and be humble in our conduct.
- Introspection: leading to purposeful thinking.
- Openness: to be open and receptive to new ideas, knowledge and information.
- Valuing and Nurturing Relationships: to build long term relationships.
- Simplicity & Positivity: Simplicity and positivity in our thought, business and action.
- Adaptability: to be flexible and adaptable, to meet challenges.
- Flow: to respect and understand the universal laws of nature.

### **Target Market**

Big Bazaar targets customers who belong to higher and upper middle and even lower class customers. It has focus on large and growing young working population and women both career women and home makers.

### **Access (location)**

All the stores of Big Bazaar in Bangalore are ideally located at the heart of city. The group conducted a study and it was found that for a store like Big Bazaar a large catchments area is needed and accordingly they found the place in Bangalore. The Big Bazaar stores are operational across three formats — hypermarkets spread over 40,000-45,000 sq ft, the Express format over 15,000-20,000 sq ft and the Super Centers set up over 1 lakh sq ft. Currently Big Bazaar operates in over 34 cities and towns across India with 136 stores.

Apart from the Metros these stores are also doing well in the tier II cities. These stores are normally located in high traffic areas. Big Bazaar

aims at starting stores in developing areas to take an early advantage before the real estate value booms. Mr. Biyani is planning to invest around Rs 350 crore over the next one year expansion of Big Bazaar. In order to gain a competitive advantage Big Bazaar has also launched a website [www.futurebazaar.com](http://www.futurebazaar.com), which helps customers to orders products online which will be delivered to their doorstep. This helps in saving a lot of time of its customers.

### **Lay Out**

Big Bazaar places a lot of importance on the process right from the purchase to the delivery of goods. The layout is designed to facilitate efficient services. Products in Big Bazaar are properly stacked in appropriate racks. There are different departments in the store which display similar kind of products. Throughout the store there are boards/written displays put up which help in identifying the location of a product. Moreover boards are put up above the products which give information about the products, its price and offers. Big Bazaar stores are normally 'U shaped' and well planned & designed

Multiple counters for payment, baggage counters and security guards, together contribute to customer-friendly atmosphere. Big Bazaar has home delivery facility. It arranges for delivery of products over purchases of ` 1000.

The environment created in the retail store is a combination of exterior look, store interiors, the atmosphere in the store and the events promotions and themes which form a part of retail store

### **Product Range**

Big Bazaar offers a wide range of products which range from apparels, food, farm products, furniture, child care, toys, etc of various brands like Levis, Allen Solly, Pepsi, Coca- Cola, HUL, ITC, P&G, LG, Samsung, Nokia, HP etc. It stocks about 1,30,000 items in over 20 product categories. Big Bazaar also promotes a number of in house brands like:

- DJ & C
- Tasty Treat

- Clean Mate
- Sensei
- Care Mate
- Koryo and 44 other brands.

Big Bazaar has not entered into special collaborations and alliances with various partners for co- marketing brands The various categories of merchandise stock by Big Bazaar is shown in Table.

#### Product mix of Big Bazaar

Apparels	Food	Farm produce	Chill station	Home and personal care
Denims & tea shirts	Staples	Fruits	Soft drinks	Shampoos
Fabrics and cut pieces	Ready to eat	Vegetables	Packaged juices	Detergents
Formal wear	International food	Imported fruits	Milk items	Soaps
Casual wear	Spices	Dairy products	Frozen foods	Liquid wash
Party wear	Imported bazaar		Ice creams	Creams
Ethnic wear	Tea & coffee			Deodorants
Accessories				Home cleaners
Under garments				Utensils
Night wear				Plastics
Dress materials				Crockery
Sarees				Sundries

The shopping is made easy and comfortable by the following facilities.

- **Online shopping:** Big Bazaar has an official website, FutureBazaar.com, which is one of the most favorite sites among people of India for online shopping. Future Bazaar is an online business venture of Future Group, which sells an assortment of products such as fashion, which includes merchandise for men and women, mobile accessories, mobile handsets and electronics like home theatres,

video cameras, digital camera, LCD TVs, kitchen appliances and many more.

- **Discounts:** “Hfte ka sabse sasta din was introduced by the Big Bazaar, wherein extra and special discounts were offered on Wednesday every week, to attract the potential buyers into their store.
- **Security check:** At each exit of Big Bazaar, they use alarm systems or Electronic Article Surveillance system, which detects the products that has attached tags or not.

## Pricing

The pricing objective at Big Bazaar is to get “Maximum Market Share”. Pricing at Big Bazaar is based on the following techniques:

- **Value Pricing (EDLP – Every Day Low pricing):** Big Bazaar promises consumers the lowest available price without coupon clipping, waiting for discount promotions, or comparison shopping.
- **Promotional Pricing:** Big Bazaar offers financing at low interest rate. The concept of psychological discounting (Rs. 99, ` 49, etc.) is also used to attract customers. Big Bazaar also caters on Special Event Pricing (Close to Diwali, Gudi Padva, and Durga Pooja).
- **Differentiated Pricing:** Differentiated pricing i.e. difference in rate based on peak and non-peak hours or days of shopping is also a pricing technique used in Indian retail, which is aggressively used by Big Bazaar. e.g. Wednesday Bazaar
- **Bundling:** It refers to selling combo-packs and offering discount to customers. The combo-packs add value to customer and lead to increased sales. Big Bazaar lays a lot of importance on bundling. e.g. 3 Good Day family packs at Rs 60(Price of 1 pack = Rs 22)5kg oil + 5kg rice + 5kg sugar for Rs 599

## People

For services like retailing people are important to deliver services like display, assistance in finding goods and prices, billing etc. The chain employs around 10,000 people. They are made presentable by training them in grooming. Well dressed staff improve the overall appearance of store.

**Promotion**

Table shows the types of Sales Promotions organized at Big Bazaar.

**Types of Sales Promotions at Big Bazaar**

Types of promotion	Tools
Below the line	Coupons, Discount, more of the product at same price, gift with purchase, competition and prizes, money back offer, exchange offer, special occasion.
Above the line	Advertisements in news papers, TV, Internet (Own website which give on line shopping service). Big Bazaar sponsors various events and festivals, which provides them valuable promotion directed at strategic markets.

The various promotion schemes used at Big Bazaar include:

- “Saal ke sabse saste 3 din”
- Hafte ka sabse sasta din “Wednesday bazaar”
- Exchange Offers “Junk swap offer”
- Future card(3% discount)
- Shakti card
- Advertisement (print ad, TV ad, radio)
- Brand endorsement by M.S Dhoni and Asin

Big Bazaar has come up with 3 catchy lines written on hoardings taking on biggies like Westside, Shoppers stop and Lifestyle. They are:

- “Keep West- aSide. Make a smart choice!”
- “Shoppers! Stop. Make a smart choice!”
- “Change your Lifestyle. Make a smart choice!”

**Case of Reebok**

Reebok is an American-inspired, global brand that creates and markets sports and lifestyle products built upon a strong heritage and authenticity in sports, fitness and women’s categories. The brand is

committed to designing products and marketing programs that reflect creativity and the desire to constantly challenge the status quo.

Inspired by its roots in sport and women's fitness, Reebok is a global brand that is committed to developing innovative products which will allow Reebok to own Women's Fitness, challenge the Men's Sport category and revive its Classics heritage.

### **Reebok's Vision**

Fulfilling Potential Reebok is dedicated to providing each and every athlete - from professional athletes to recreational runners to kids on the playground - with the opportunity, the products, and the inspiration to achieve what they are capable of. Everyone has the potential to do great things. As a brand, Reebok has the unique opportunity to help consumers, athletes and artists, partners and employees fulfil their true potential and reach heights they may have thought un-reachable.

### **Reebok's Mission**

Always Challenge and Lead through Creativity At Reebok, they see the world a little differently and throughout their history have made their mark when they've had the courage to challenge convention. Reebok creates products and marketing programs that reflect the brand's unlimited creative potential. Reebok understands that people are, above all, unique.

Reebok's positioning reflects this; celebrating the distinct qualities that make people who they are - their unique points of view, their individual style and their remarkable talents and accomplishments. Reebok celebrates their individuality, their authenticity and the courage it takes to forge their own path to greatness. While some may call them crazy or eccentric, Reebok calls them visionary and original.

### **Reebok's Purpose**

To Empower Global Youth to Fulfill their Potential Commitment to Corporate Responsibility is an important legacy and hallmark of the Reebok brand. For two decades, Human Rights, through the Reebok Human Rights

program, was the primary focus of this effort. Reebok has expanded on what had been built and created a Global Corporate Citizenship platform with a purpose for the brand that will help underprivileged, underserved youth around the world fulfil their potential and live healthy, active lives.

### **Reebok's Brand Territory**

Having Fun Staying in Shape Having Fun Staying in Shape comes to life through a fun, bold, provocative manner expressed through fresh, eye catching imagery signed off with a unique 'Reeword.' The tone and manner allows the consumer to look at sport and lifestyle through their lens of 'Ree.'

### **Corporate Social Responsibility**

Commitment to Corporate Responsibility is an important legacy and hallmark of the Reebok brand. Reebok's history of innovation and conscientiousness guides them when creating policies, programs and partnerships. Grounded in their brand values, they believe that they have the opportunity to achieve their full potential as a corporate citizen while striving to meet the expectations of their employees, stakeholders and consumers. In all facets of corporate responsibility, they are committed to a responsive process of continual re-evaluation and improvement that allows them to adapt to changing circumstances.

- The Reebok 4 Real Human Rights Student Advocate Program is the extension of Reebok's history of commitment to Human Rights and is designed to inspire the activists of the future.
- The Reebok Foundation was formed in 1986 to focus and expand on Reebok's commitment to socially responsible action. They have worked with more than 500 non-profit organizations.
- Reebok Employee Charitable program, the brand is committed to empowering and encouraging Reebok employees to get involved and make a positive difference in their communities

## Summary

Given its highly competitive nature, branding can be especially important in the retailing industry to influence customer perceptions and drive store choice and loyalty. A few differences between retail and product branding are identifiable. Retail store comes into contact along with its offer. It may offer national brands which are not in its control; it may offer private labels to win the hearts of customers. Change is relatively slow as several factors influence the store image. A smaller set of factors include: location, merchandise, service, and store atmosphere. An exhaustive list may include the following factors: Access, Store atmosphere, Price and promotion, Brand architecture, Experiential marketing, Cross Category assortment, Within-Category Assortment, Brand assortment, Private label strategy, Brand value and positioning, Brand personality and Brand equity.

## Self Assessment Questions

1. What is brand management?
2. What do you understand by (a) brand audit (b) consumer research?
3. What are the key issues in today's brand management?
4. What is the focus of brand building?
5. How do you measure brand equity?
6. How do you create brand and corporate identity and systems?
7. How do you build a global brand?
8. Explain how (a) Life buoy (b) Tata are built.
9. What is retail branding?
10. Explain the importance of retail branding?
11. Distinguish between retail branding and product branding.
12. Identify challenges to retail branding.
13. How does experiential marketing and positioning help build retail brands.
14. Explain brand personality and brand equity in the context of retail brand development.

## **CASE STUDY**

### **Tata Brand Management**

Tata group is involved in diverse sectors ranging from automobiles to engineering products to energy and consumer products — all held together by the common pursuit of improving the quality of life of people. The group accomplishes this by targeting sectors that impact the national economy. Pioneering, patriotism and philanthropy, and, of course, profits (our four Ps) led the Tata group to venture into hotels, chemicals and automobiles. The group is a market leader in many fields. It dominates the heavy and medium utility vehicles market in India, it is the largest manufacturer of soda ash, it has one of the largest infotech and management consulting portfolios in the country, and Indian Hotels manages the country's largest chain of premium hotels.

The Tata Group is all about “leadership with trust” in chosen areas of national economic significance. In 2000, it was felt that Tata brand pegged at Rs 10,000 crore, is like someone who is established but not modern, large but not focussed, profitable but not in top gear, a warm person but not efficient. This view was based on a qualitative survey conducted by O&M, an ad agency hired for this purpose.

#### **Recognition for Brand Management**

“The world over, a realisation has dawned that as economies develop and consumers have more spending power, people don't buy products, they buy a promise. A brand is nothing but a way of expressing a promise. The future will undoubtedly belong to the brand — and the Tatas will not be left far behind” observed Gopalakrishnan, Executive Director of Tata Sons.

#### **The Move**

Tata brand has evolved from the times of the founding fathers and early leaders in the business. They did not obviously then think of brand management, but they were imbued with a zeal to build the Tata name and empire through determination, dedication and discipline.

Today, the Tatas represent assurance, reliability, a sense of nationalism, value for money, and such other attributes that have been built

over several decades. Irrespective of the product you are making, those are the attributes you would like to be known for, whether it is through a wrist watch, a piece of software or a car. It is for this reason that the Tata name goes well with a diversity of products — from tea and salt to an Indica car, software development and steel.

It was Ratan Tata who brought brand identity and brand management into the group's lingo. "That the name Tata has to be managed as a brand was not in the consciousness of the leadership till 1998, until Ratan Tata realised the importance of achieving its true potential and nurturing it," says R Gopalakrishnan, executive director, Tata Sons. "Tata holds a promise of trust, reliability and nation-building, and is therefore not tradable."

When Ratan Tata took over as chairman in 1991, companies were run autonomously, often as fiefdoms by managers empowered in the 1950s and 1960s. So, branding was a company-specific exercise, rather than a company-specific exercise under a group philosophy. There was no centralised code of conduct or control, and different group companies used the Tata brand differently.

This changed in 1998, when Ratan Tata created a new ownership structure that gave greater power to Tata Sons, the group's holding company, to ask group companies to follow a code of conduct. As a first step, Tata Sons started increasing its stake in companies like Tisco (now Tata Steel), Telco (now Tata Motors) and Indian Hotels, which had diluted to 3-12%, to 26%.

Next, Tata Sons said group companies no longer had a free hand over the Tata brand. To use the Tata name, they would have sign covenants of behaviour that covered not just brand use, but also business practices and values. And they would have to pay royalty to Tata Sons - 0.25% of turnover (less if companies did not use the Tata name directly).

Across the group, there are now broadly two approaches to the Tata brand. The first is to use it as an umbrella brand - for example, Tata Motors, Tata Chemicals, Tata Consultancy Services (TCS), Tata Communications and Tata Steel. The second is to use as a half-umbrella - companies like Trent, Indian Hotels, Voltas or Titan don't have Tata

prefixed into their name, but they do use the tag line, 'A Tata Enterprise,' for corporate branding.

There's a thought behind the half-umbrella approach. These are, typically, businesses that are perceived by the group as riskier or where the group is relatively less experienced (Trent, which is short for Tata Retail Enterprises) or where the Tata name might have a regressive impact on branding (Indian Hotels, which has a strong identity in the Taj brand).

Yet, umbrella or half-umbrella, some things are a given. "The usage of the brand is not forced on anyone," says Gopalakrishnan. "So, companies such as Indian Hotels or Voltas operate without the Tata name, but yet ensure that it reflects the same tradition of trust, leadership and integrity."

### **One Brand for all – is it Confusing?**

How can one brand cover the wide diversity of products that the group produces and sells? The signing of the Tata Brand Equity and Business Promotion Agreement (BEBP) by the Tata companies has brought them under a single mark. When people see a unified Tata brand, they will connect with the Tatas. For instance, when managers from every Tata company, be it Tata Tea, Tata Steel or Tata Electric, display their visiting cards with the same 'group composite mark', there will be positive impact.

There are two ways in which brand synergy is beginning to emerge. The first is when a company advertises its products or services — it uses the Tata mark in all the advertisements. The second is when the group advertises — with frequency and consistency the message of the Tata brand is reiterated and reinforced in the minds of the consumer and other decision-makers.

Brand as a promise, then the custodian of the promise is centralized. In simple terms what this means is that nowhere in the vast and sprawling empire of the Tatas would anybody be allowed to act in a way that detracts from the central promise of what the Tata brand means. There will be no confusion as to which company is offering a service, as Tata companies are different and there is no overlap of services. The group is involved in diverse sectors ranging from automobiles to engineering products to energy and consumer products — all held together by the common pursuit of improving the quality of life of people.

## Challenge

Now that it is a global brand, the Tata group not only has to deliver financial value, but also discover an overarching purpose. “While its good reputation and heavy engagement with society will help its entry into new markets, it will have to figure out a new purpose that will be a worldwide movement within the global Tata group,” It will also have to live and communicate that purpose.

The overseas business - and by extension, brands - is becoming more important in the group’s scheme of things. Today, the Tata group, which has 98 operating companies and 350,000 employees, has operations in 80 countries. And about 60% of its revenues come from abroad.

It’s why the group is investing progressively more thought and resources into leaving an imprint in the new geographies. It’s doing it in ways that are obvious, like aligning JLR and Corus with the Tata philosophy. It’s doing it in ways that are subtle, like Ratan Tata making a contribution of \$50 million for a Tata Hall in Harvard Business School.

## Questions

1. Critically evaluate the brand building measures of Tata.
2. What suggestions do you make to project Tata as a global brand?

*Source:* Christabelle Noronha(2000), “The brand expresses a promise””The *brand* expresses a promise” - Tata group, [www.tata.com](http://www.tata.com) › . . . › Tata companies › Tata Sons › Interviews and Kala Vijayraghavan (2010)How Tatas plan to build consumer trust abroad, *The Economic Times*, October 28. Retrieved at [articles.economictimes.indiatimes.com](http://articles.economictimes.indiatimes.com) › Collections › Tata Group.

## Internet Exercise

Develop a note on Customer-Focused *Portfolio Management*, from [www.innosight.com/innovation-resources/loader.cfm?csModule](http://www.innosight.com/innovation-resources/loader.cfm?csModule) and other sources.

### **Mini-Project**

Identify 3 brand consultants and explain the kind of consultancy they provide in case of brand portfolio management. Consider the following:

[www.nielsen.com](http://www.nielsen.com) › Home › Our Practices; [www.prophet.com/thinking/view/431-prophet-perspectiveandwww.labbrand.com/brand-source/brand-portfolio-strategy](http://www.prophet.com/thinking/view/431-prophet-perspectiveandwww.labbrand.com/brand-source/brand-portfolio-strategy)

### **CASE STUDY**

#### **Dove – Not a Soap**

In a world of hype and stereotypes, Dove provides a refreshingly real alternative for women who recognise that beauty comes in all shapes and sizes. Dove assembled a brand team, composed mostly of women, to figure out how to set their brand apart from the heavily populated personal care market. The team examined their desires for a beauty brand. They felt that other brands are emphasizing on physical idea of beauty. The team got to work the Campaign for Real Beauty was launched.. Advertisements launched around the world asking if the shown women (none of whom fit the ‘global standard’) were “wrinkled or wonderful”, “oversized or outstanding” and “gray or gorgeous”.

#### **Keeping Up Clinically Proven Promises**

The world’s top cleansing brand, Dove started its life in 1957 as a beauty soap bar that was clinically proven to be milder for dry, sensitive skin than other leading soaps: half of women have dry skin.

#### **Bringing Out Your Real Inner Beauty**

This promise remains at the heart of the brand and has been extended to a number of other products, supported by the industry’s longest-running medical programme. Since the 1980s, for example, Unilever launched a moisturising body-wash, deodorants, body lotions, facial cleansers and shampoos and conditioners, giving women a comprehensive range of solutions to bring out your true inner beauty.

It is found that

- Just 12 % of women are very satisfied with their physical attractiveness
- Only 2 % of women describe themselves as beautiful
- 68 % strongly agree that the media sets an unrealistic standard of beauty
- 75 % wish the media did a better job in portraying the diversity of women's physical attractiveness, including size and shape, across all ages

### **Taking Action**

Over the last few years, Dove has focused on delivering products that inspire women to enjoy their own beauty and individuality.

The Dove® Campaign for Real Beauty aims to improve self-esteem among young people by challenging traditional stereotypes of beauty. The Dove® brand's mission is to make more women feel beautiful every day by widening the definition of beauty and inspiring them to take great care of themselves. As part of this commitment, the brand created the Campaign for Real Beauty and the Dove® Self-Esteem Fund to educate and inspire girls and women to embrace a wider definition of beauty.

The Dove® Self-Esteem Fund is funded exclusively by Dove® and is committed to reaching 5 million girls globally by 2010 with self-esteem programming, which includes self-esteem building educational workshops. The Dove® Self-Esteem Fund has reached more than 3.9 million girls globally with self-esteem programming. In the U.S., Dove® supports the Girls Scouts of the USA to help build confidence in girls 8-17 with after-school programs, self-esteem building events and educational resources.

### **Change in Direction**

Finding that the real beauty campaign created by Ogilvy, has reached a saturation point, Dove's "Campaign for real beauty" has won numerous industry awards. The Campaign, originally a creative marketing idea based on a morale issue, has become a full attack on 'global beauty

standards'. Dove sponsors workshops, conferences, events and movies around the country, all of which focus on appreciation of inner beauty. The Dove website features many articles about self-esteem, the fat language, "sizism", and other issues affecting the beauty industry. There are statistics about teenage self-esteem problems, tips on talking to loved ones, and instructions on "how to change a life." There is even a section of the website designed for girls only – the "self-esteem zone." A quick look through the Dove website shows the company's dedication to their cause (Dove). While Dove may be doing well on paper, there is some question as to whether it is doing well morally.

Recently, it took a vow to make women experience the 'real' Dove difference. The face test campaign demonstrates the real proof of its superiority by using face as the torture test. Thousands of women from around the country put their soap, and dove to the test. And they all ended with the same answer – dove made their skin soft.

### **Questions**

1. Explain the strong point of Dove brand.
2. How is the brand promoted as a preferred brand by women?
3. What other promotional activities do you suggest to make the brand stronger?

*Source: Dove, Unilever Global, [www.unilever.com/brands/personalcarebrands/dove/index.aspx](http://www.unilever.com/brands/personalcarebrands/dove/index.aspx)*

### **Internet Exercise**

Write a note on self branding by referring to Branding - Brand Building - Branding Strategies, [sbinfoCanada.about.com/ . . . / brandingbrandbuilding/ Branding\\_Brand\\_..](http://sbinfoCanada.about.com/.../brandingbrandbuilding/Branding_Brand_..)

### **Mini-Project**

Take any one consumer product with three leading brands and analyze how the companies have built the brands. Refer sources like internet, magazines, and news papers.

## **CASE STUDY**

### **Life Style -Fresh Fashion**

Pantaloons Retail continues to be India's leading multi-format retailer and a leader in sustainability and employment opportunity. Through over 15 million square feet of retail space, we serve customers in 85 cities and 60 rural locations across the country. Around 220 million customers walk into its stores each year. It employs 35,000 people directly from every section of the society. Pantaloons Retail is focused on driving the growth of the lifestyle retail business. The first Pantaloons opened in Gariahat in 1997. Over the years it has undergone several transitions.

**Format-**As India's leading retailer, it operates multiple retail formats in the lifestyle segment of the Indian consumer market. Led by its lifestyle formats - Pantaloons and Central, Pantaloons Retail makes every effort to delight its customers, tailoring store formats to changing Indian lifestyles and adapting products and services to their desires.

**Access-**The fashion store extends to almost all major cities across the country. Pantaloons has established its presence with stores not just in the metros, but also in smaller towns.

The chain has 46 stores across the country offering the most popular loyalty program Green Card. Central, the large-format lifestyle department store has 12 locations in key urban consumption centers in the country and offers over 500 foreign and Indian brands across merchandise categories.

**Positioning** – Initially positioned as a family store, it finally veered towards becoming a fashion store with an emphasis on 'youth' and clear focus on 'fresh fashion. With a focus on today's youth, Pantaloons offers trendy and hip fashion that defines their hopes and aspirations. The stores reflect its ideology: Fresh Feeling, Fresh Attitude, Fresh Fashion. It offers fresh collections that are visually stimulating aided by appealing interiors and attractive product display.

**Category assortment** -Pantaloons stores have a wide variety of categories like casual wear, ethnic wear, formal wear, party wear and sportswear for Men, Women and Kids.

**Brand assortment** - When it was first launched, the store mostly sold external brands. Gradually, it started retailing a mix of external brands and its own recently-introduced private brands.

### **Complaint**

Until now, I have had pleasant experiences at lifestyle, but today was pathetic. I bought a barbie set for my daughter, for Rs 3,499/-. The staff at the second billing counter directed me to another counter saying that it was closed. I asked them they why a sign to that effect, was not placed there. I went to the next counter and asked them to gift pack the Barbie set. I was directed to go outside for that. I went to the place shown by them. There I was given a choice of two papers, both with the lifestyle logo on them. When the staff was making a mess of it, I asked them to be a bit careful in packing as it was meant to be a gift. The staff asked me to wrap it myself! I went to the customer feedback desk, and told them. I would like to make a complaint on this incident. The person in the counter put up a show of calling some 'Mahesh.' I waited there for five to ten minutes and then asked them, why he kept me waiting there. He advised me to go back to the gift wrapping counter and assured that Mahesh would help me. I went there and to my dismay found that Mahesh was not there. I went back to the complaint desk and informed him about the absence of Mahesh. He requested me to wait for ten minutes.

I wished they just charged for the gift wrapping and gave us some good service.

### **Questions**

1. Evaluate the brand building effort of Life style.
2. What do you do with regard to the complaint?

### **Internet Exercise**

Write a note on Bata as a retail brand. ON THE RECORD: *Bata's new retail strategy: Q&A with Deepak . . . mcrcontherecord.blogspot.com/ . . . /batas-new-retail-strategy-q-with-de . . .*

## UNIT – IV

### Unit Structure

Lesson 4.1 - Strategic Management

Lesson 4.2 - Strategic Analysis

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### Lesson 4.1 - Strategic Management

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### Learning Objectives

*After studying the lesson you will be able to.*

- Explain the concept and significance of strategy
- Understand the process of strategy making and implementation
- Identify different strategies adopted by firms

### Introduction

Organizations are facing exciting and dynamic challenges in the 21st century. In the globalized business environment, companies require good corporate strategies to survive and succeed. Corporate strategy includes the commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns. The goals of corporate strategy are challenging not only for large firms like Microsoft but also for small local computer retail outlets or even dry cleaners.

### Concept

Strategy”, narrowly defined, means “the art of the general” (the Greek *stratos*, meaning ‘field, spread out as in ‘structure’; and *agos*, meaning ‘leader’). A strategy of a business organization is a comprehensive master plan stating how the organization will achieve its mission and objectives.

According to Mintzberg (1979), strategy is a mediating force between the organization and its environment and it could be a plan, a pattern, a position, a ploy, or a perspective.

1. A *plan*, a “how do I get there”
2. A *pattern*, in consistent actions over time
3. A *position* that is, it reflects the decision of the firm to offer particular products or services in particular markets.
4. A *ploy*, a maneuver intended to outwit a competitor
5. A *perspective* that is, a vision and direction, a view of what the company or organization is to become.

For instance, operating in competitive environment retailers may try to differentiate them as follows. A furniture store may offer hand-made products or other items very different from what competing stores are offering. A low-cost hair cutting services may brand and differentiate from upscale salons by their “no frills” store design. Expensive hair salons, on the other hand, are usually very detailed and fashionable in their store’s look. As part of its retail marketing strategy, an upscale salon may be positioned to potential customers as trendy, while the low-cost basic hair cutting establishment’ may promote it as budget friendly.

### **Nature of Strategic Decisions**

Strategic decisions are the decisions that are concerned with whole environment in which the firm operates, the entire resources and the people who form the company and the interface between the two. Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.

Strategic decisions are different from operational decisions. Operational decisions are technical decisions which help execution of strategic decisions. To reduce cost is a strategic decision which is achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

The differences between Strategic and Operational decisions are summarized in Table.

### Strategic decision differentiated

Aspect	Strategic	Operational
Level	Top management	Lower management
Time	Long term	Short term
Focus	Provide direction to enterprise	Facilitate achievement of results.
Basis	Mission, vision and environment	Goals and commitment
Use of IT	Non-programmable decisions	Programmable decisions
Scope	Entire organization	Team or unit
Examples	Takeover of a competitive firm Introduction of new product or service Integration of supply chain	Conducting a training program Introduction of a sales promotion campaign Contracting with a new supplier

### Importance

The importance of strategic management can be established by the following arguments.

### Universal Need

Strategies are necessary for individuals, organizations and even nations. Strategy is essential when one wants to achieve a goal in an environment of constraints. As obstacles are common in every one's life, strategy has become a universal phenomenon.

- A student requires learning strategy to secure knowledge and skills given diversions like chatting, enjoyment with friends, watching movies on TV and playing games.
- A housewife needs a strategy to manage her house given indifference of husband to help in household chores, limited finances, unexpected guests, spiraling prices and limited incomes.
- An organization has to evolve a strategy to make profits, in an environment of scarce resources, competition, consumers unaware of products and brands, and government policy restrictions.

- Nations have, in the management of their national policies, found it necessary to evolve strategies that adjust and correlate political, economic, technological, and psychological factors, along with military elements.

Be it management of national policies, international relations, or even of a game on the playfield, it provides us with the preferred path that we should take for the journey that we actually make.

### **Be in Tune with Environment**

The present day environment is so dynamic and fast changing thus making it very difficult for any modern business enterprise to operate. Because of uncertainties, threats and constraints, the business corporations are under great pressure and are trying to find out the ways and means for their healthy survival. Under such circumstances, strategic management can help the corporate management to explore the possible opportunities and at the same time minimize the expected threats.

### **Mission, Vision, and Goals**

‘Strategy’ helps develop a plan of action – to move from current state to desired future state. As such, it requires answers to the following questions?

What is the purpose of our organisation? (Mission)

Where do we want to be? (vision)

What is that we want to achieve by our decisions and actions? Where do we want to go? (goals)

By finding answers, which form the basis for the establishment of a business firm; and its basic requirement to survive and to sustain itself in today’s changing environment, strategy helps run organizations meaningfully.

### **Sets the Strategic Direction**

Strategic management process clearly defines the desired level of performance (mission/goals/objectives) and it sets the direction so that everyone in the organization knows where they are heading towards.

Strategic management acts as a road map to everyone in the organization and it clearly defines the way to get to the final destination/desired level of performance.

### **Competitive Disadvantage**

It help build competitive advantage in all its resources, systems, decisions and actions. For example, a company like Hindustan Lever Ltd., realized that merely by merging with companies like Lakme, Milk food, Ponds, Brooke bond, Lipton etc which make fast moving consumer goods alone will not make it market leader but venturing into retailing will help it reap heavy profits. Then emerged its retail grant “Margin Free’ which is the market leader in states like Kerala. Similarly, the R.P. Goenka Group and the Muruguppa group realized that mere takeovers do not help and there is a need to reposition their products and reengineer their brands. The strategy worked.

### **Motivating Employees**

People are inspired by goals and vision. When they are shared with the employees, employees will be motivated to work in teams, with a spirit of challenge and desire to accomplish. Achievement and success are bigger motivators than money and monetary benefits. We find people working with a sense of dedication in social service organizations, because they love the mission of service. Strategic management requires involvement of people and their participation in decision making and actions.

### **Efficiency and Effectiveness**

Efficiency refers to maximization of output with given inputs. It is also referred to as productivity. Productivity is defined as the ability of an individual or a resource to produce. Economy refers to minimization of wastages. It refers to savings by rational decisions and actions. Effectiveness refers to making right decisions and doing right actions for getting right results.

Since strategy provides a clear understanding of objectives and standards of performance to employees at all levels and in all functional areas, it makes implementation very smooth. As a result, the expected results are obtained more efficiently economically and effectively.

## Levels of Strategy

Strategies are essential to all units and functions in an organization. As such we find the following strategies, classified by hierarchical levels.

**Corporate strategy** – Which describes a company’s overall direction towards growth by managing business and product lines. These include stability, growth and retrenchment.

For example, Coco cola, Inc., has followed the growth strategy by acquisition. It has acquired local bottling units to emerge as the market leader.

**Business strategy** - Usually occurs at business unit or product level emphasizing the improvement of competitive position of a firm’s products or services in an industry or market segment served by that business unit. Business strategy falls in the in the realm of corporate strategy.

For example, Apple Computers uses a differentiation strategy that emphasizes innovative product with creative design.

**Functional strategy** – It is the approach taken by a functional area to achieve corporate and business unit objectives. It is concerned with developing and nurturing a distinctive competence to provide the firm with a competitive advantage.

For example, Procter and Gamble spends huge amounts on advertising to create customer demand.

**Operating strategy**–It is concerned with how the organization uses resources, processes and people and meets periodic short-term targets.

For example, meeting deadlines of a delivery promise, in light of problems like power cuts, shortage of key inputs and machine breakdowns.

## Approaches

Companies and strategists craft strategies in different ways. In extreme cases it is only the Chairman cum Managing Director who crafts the strategy. But in firms, which have participative management style of

functioning, it is a group or team exercise involving key personnel and all functional executives in the organization. There are basically four approaches to crafting a strategy

***The Chief Architect approach*** A single person – the owner or CEO – assumes the role of chief strategist and chief entrepreneur, single handedly shaping most or all of the major pieces of strategy. This is found at the beginning of an organization. In later periods, entrepreneur continues to be strategic visionary and chief architect of strategy but depends on the employees and partners for their inputs.

There will be data gathering and analysis, there may be much brainstorming with subordinates and considerable analysis by specific departments and lot of deliberation on what courses of action to take.

The chief architect approach to strategy formation is characteristic of companies that have been founded by the company's present CEO – Michael Dell at Dell Computer, Steve Case at America Online, Bill Gates at Microsoft, and Howard Schultz at Starbucks are prominent examples of corporate CEOs who exert a heavy hand in shaping their company's strategy.

***The Delegation Approach:*** This is a sort of bottom-up approach. Here the manager in charge delegates big chunks of the strategy-making task to trusted subordinates by forming a high level of task force with representatives drawn from different divisions and departments. The self-directed work teams with authority over a particular process or function, departments and division prepare strategies and they are consolidated to make a master plan and help develop new strategic initiatives.

***The Collaborative or Team Approach:*** This is a middle approach when by a manager with strategy-making responsibility enlists the assistance and advice of key peers and subordinates in hammering out a consensus strategy. Strategy teams often include line and staff managers from different disciplines and departmental units, a few handpicked junior staffers known for their ability to think creatively, and near-retirement veterans noted for being keen observers, telling it like it is, and giving sage advice.

Electronic Data Systems conducted a year-long strategy review involving 2,500 of its 55,000 employees and coordinated by a core of 150 managers and staffers from all over the world.

Nokia Group, a Finland-based global leader in wireless telecommunications, involved 250 employees in a strategy review of how different communications technologies were converging, how this would affect the company's business, and what strategic responses were needed.

**The Corporate Intrapreneur Approach:** In the corporate intrapreneur approach, top management encourages individuals and teams to develop and champion proposals for new product lines and new business ventures. The idea is to unleash the talents and energies of promising corporate intrapreneurs, letting them try out business ideas and pursue new strategic initiatives. Executives serve as judges of which proposals merit support, give company intrapreneurs the needed organizational and budgetary support, and let them run with the ball.

W.L. Gore & Associates, a privately owned company famous for its Gore-Tex waterproofing film, is an avid and highly successful practitioner of the corporate intrapreneur approach to strategy making. Gore expects all employees to initiate improvements and to display innovativeness.

### **Strategic Management Models**

Different writers have evolved different process steps of strategic management. Consider the following. It can be observed that there are similarities in their approaches.

William F. Glueck developed strategic management process based on the general decision-making process. The phases of this model are as follows:

1. Strategic management's elements: "... to determine mission, goals, and values of the firm and the key decision makers."
2. Analysis and diagnosis: "... to search the environment and diagnose the impact of the threats and opportunities."

3. Choice: . . . to consider various alternatives and assure that the appropriate strategy is chosen.”
4. Implementation: “ . . . to match plans, policies, resources, structure, and administrative style with the strategy.”
5. Evaluation: “ . . . to ensure strategy and implementation will meet objectives.”

Dan Schendel and Charles Hofer developed a six –step model as given under.

1. Goal formulation
2. Environmental analysis
3. Strategy formulation
4. Strategy evaluation
5. Strategy implementation
6. Strategic control

Schematic model developed by Peter Wright, Charles Pringle and Mark Kroll (1994) consists of five stages:

1. Analyze the environmental opportunities and threats.
2. Analyze the organization’s internal strengths and weaknesses.
3. Establish the organizational direction: mission and goals.
4. Strategy formulation.
5. Strategy Implementation.
6. Strategic Control.

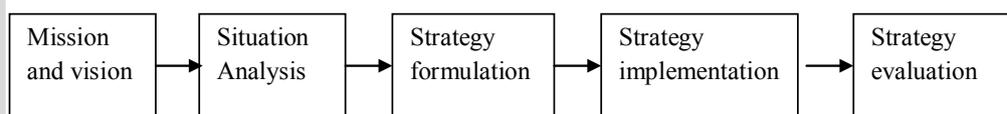
### **Process Description**

The strategic management formulation and implementation methods vary with product profile, company profile, environment within and outside the organization, and various other factors. Large organizations which use sophisticated planning use detailed strategic management models whereas smaller organizations use simpler models. Small businesses concentrate on planning steps compared to larger companies in the same industry.

The strategic management process is a continuous process. As performance results or outcomes are realized - at *any* level of the organization - organizational members assess the implications and adjust the strategies as needed. In addition, as the company grows and changes, so will the various strategies. Existing strategies will change and new strategies will be developed. This is all part of the continuous process of improving the business in an effort to succeed and reach company goals.

The strategic management process is made up of five elements: mission and vision, situation analysis, strategy formulation, strategy implementation, and strategy evaluation. These elements are steps that are performed, in order, when developing a new strategic management plan. Figure shows the diagrammatic view of strategic management process.

#### **Strategy management process**



#### **Mission and Vision**

Thompson and Strickland suggest that the firm's mission and objectives combine to define "What is our business and what will it be?" and "what to do now" to achieve organization's goals.

The mission statement is a broad description of a retailer's objectives and the scope of activities it plans to undertake. It should define the general nature of the target segments and retail formats that the firm will consider. In developing the mission statement, managers must answer five questions:

1. What business are we in?
2. What should be our business in the future?
3. Who are our customers?
4. What are our capabilities?
5. What do we want to accomplish?

**Vision** outlines what the organization wants to be, or how it wants the world in which it operates to be (an “idealised” view of the world). It is a long-term view and concentrates on the future. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads “A World without Poverty.”

Box presents the mission and vision of Coca cola

### **Coca Cola Mission and Vision**

#### **Our Mission**

Our Roadmap starts with our mission, which is enduring. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions.

- To refresh the world . . .
- To inspire moments of optimism and happiness . . .
- To create value and make a difference.

#### **Our Vision**

Our vision serves as the framework for our Roadmap and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainable, quality growth.

- **People:** Be a great place to work where people are inspired to be the best they can be.
- **Portfolio:** Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people’s desires and needs.
- **Partners:** Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
- **Planet:** Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- **Profit:** Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- **Productivity:** Be a highly effective, lean and fast-moving organization

*Source:* Mission Statement & Vision: The Coca-Cola Company [www.thecoca-colacompany.com/. . . /mission\\_vision\\_values.html](http://www.thecoca-colacompany.com/. . . /mission_vision_values.html)

## Situation Analysis

Situation analysis is the first step in the strategic management process. The situation analysis provides the information necessary to create a company mission statement. Situation analysis involves “scanning and evaluating the organizational context, the external environment, and the organizational environment” (Coulter, 2005). This analysis can be performed using several techniques. Observation and communication are two very effective methods.

To begin this process, organizations should observe the internal company environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders. In addition, discussions, interviews, and surveys can be used to analyze the internal environment.

Organizations also need to analyze the external environment. This would include customers, suppliers, creditors, and competitors. Several questions can be asked which may help analyze the external environment. Typical questions include the following.

What is the relationship between the company and its customers? What is the relationship between the company and its suppliers? Does the company have a good rapport with its creditors? Is the company actively trying to increase the value of the business for its shareholders? Who is the competition? What advantages do competitors have over the company?

Table presents the tools of analysis used by strategy makers

<b>Analysis</b>	<b>Tools</b>
Environment	PEST analysis, ETOP analysis
Industry	Porter’s Model, Strategic groups
Organization	Organizational Capability analysis- TOWS matrix, Value Chain analysis Organization Structure - Resources (Assets, skills, competencies, knowledge) Organization Culture (Belief, expectation, Values)

## Strategy Formulation

Strategy formulation involves designing and developing the company strategies. Strategy formulation is generally broken down into three organizational levels: operational, competitive, and corporate.

1. **Operational strategies** are short-term and are associated with the various operational departments of the company, such as human resources, finance, marketing, and production. These strategies are department specific. For example, human resource strategies would be concerned with the act of hiring and training employees with the goal of increasing human capital.
2. **Competitive strategies** are those associated with methods of competing in a certain business or industry. Knowledge of competitors is required in order to formulate a competitive strategy. The company must learn who its competitors are and how they operate, as well as identify the strengths and weaknesses of the competition. With this information, the company can develop a strategy to gain a competitive advantage over these competitors.
3. **Corporate strategies** are long-term and are associated with “deciding the optimal mix of businesses and the overall direction of the organization” (Coulter, 2005). Strategies at corporate level include stability, expansion, diversification, integration, mergers and acquisitions, growth, cost leadership, disinvestment, liquidation, retrenchment, modernization, turnaround, etc.

Another way of classifying strategies is as given under.

1. **Master Strategy:** A master or grand strategy implies the entire pattern of goals, policies and resource deployment of an organization. It provides unified direction to the entire organization. For instance, development of a new product to replace a declining product is a master strategy.
2. **Programme or derivative strategy:** It refers to the specific deployment of resources. It is designed to support the master strategy for the achievement of organizational goals. For instance, heavy advertising is a programme strategy for the master strategy described above.

3. **Sub-strategy or minor strategy:** It is more specific and detailed and it is prepared to execute a programme strategy. In the above example, employment of a particular advertising agency may be a sub-strategy.

Strategies may also be classified as grand strategy, competitive strategy and growth strategy.

- Grand strategy determines the future picture-of the organization
- Competitive strategy is designed to encounter the forces of competition.
- Growth strategy is formulated to achieve desired rate and form of growth of the organization.

The choice of a strategy depends on the following:

- Gap analysis- where we are and where we want to be.
- Nature of environment – stable or fluid
- Firm's internal realities- strengths and weaknesses
- Ambition of CEO / owners
- Company culture- adaptive, entrepreneurial or bureaucratic
- Firm's capacity to execute the strategy
- Resource allocation- availability of resources now and in future

### **Strategy Implementation**

Strategy implementation involves putting the strategy into practice. This includes developing steps, methods, and procedures to execute the strategy. It also includes determining which strategies should be implemented first. The strategies should be prioritized based on the seriousness of underlying issues. The company should first focus on the worst problems, then move onto the other problems once those have been addressed.

The company should consider how the strategies will be put into effect at the same time that they are being created. For example, while developing the human resources strategy involving employee training,

things that must be considered include how the training will be delivered, when the training will take place, and how the cost of training will be covered.

The following plans are needed for effective implementation

- Structural implementation plan
- Functional implementation plan
- Proper resource allocation plan
- Procedural implementation plan
- Behavioural implementation plan

### **Strategy Evaluation**

Strategy evaluation involves examining how the strategy has been implemented as well as the outcomes of the strategy. This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working, or results are not in line with the actual goal, then the strategy can and should be modified or reformulated.

Both management and employees are involved in strategy evaluation, because each is able to view the implemented strategy from different perspectives. An employee may recognize a problem in a specific implementation step that management would not be able to identify. The strategy evaluation should include challenging metrics and timetables that are achievable. If it is impossible to achieve the metrics and timetables, then the expectations are unrealistic and the strategy is certain to fail.

A classification of control techniques include:

- Nonfinancial control techniques. Nonfinancial control techniques include rewards and punishments, selection procedures, socialization and training, the management hierarchy, management by exception, inventory and quality control, and PERT.
- Financial Control Techniques. Financial controls help managers to keep costs in line, maintain a viable relationship between assets and

liabilities, sustain adequate liquidity, and achieve general operating efficiency. Some of the best-known and most commonly used financial control techniques are: budgets, ratio analysis, break-even analysis, and accounting audits.

### **CASE: Maruti Looking Ahead**

The Alto is the leader in India. According to the Society of Indian Automobile Manufacturers (SIAM) and company figures, in 2010-2011, Maruti sold 346,840 units, a 47.5% jump over the previous year. WagonR was next with 162,019 units (a 12.5% increase) followed by the Hyundai i10 with 161,860 (8.5%). Maruti has two other entries in the Top five — the Swift and the Dzire — which shows its domination of the Indian market.



### **A Letdown in Results**

Some clouds were evident, however, when the company declared its 2010-2011 results. While total income (net of excise) was up 24.6% at US\$8.44 billion, net profit was down 8.4% at US\$515 million. “There is short-term uncertainty in the Indian market, but we are confident for the medium to long term,” says managing director and CEO Shinzo Nakanishi. “Through increased localization and efficiency, we will aim to increase our profit margins from the current levels.” The decline in profit was expected. Raw material prices are up, adverse currency movements have eroded exports, and expenses have accompanied the launch of new models. The problems are expected to spill into the new financial year, which explains Nakanishi’s caution. But analysts are optimistic.

### **Planning for the Long Term**

But Maruti is looking at broader trends and preparing for the next few years, not the next few months. Some shifts are already havin an impact.

- For instance, the average age of a car buyer has come down by 10 years from 45 to 35. Rural India has become a big market; it now accounts for more than 20% of Maruti’s sales, compared with 3.5% two years ago.

- India is also becoming an important market in the global context. At the beginning of the last decade, India accounted for 1.4% of the global auto market; today it accounts for 5%.
- “India has broken into the top 10 auto-producing countries, standing at seventh in 2010 against 15th in 2000,” says SIAM director general Vishnu Mathur. Adds Kapil Arora, partner in the automotive practice at Ernst & Young India: “With strong growth expected till 2020, India is expected to become one of the top five vehicle-producing countries in the world.”

What is Maruti doing at home to cater to changing trends?

**The affluent** - Early in March, Maruti entered the luxury sedan segment with the Kizashi., Managing Director and CEO, Maruti Suzuki, India, Mr. Shinzo Nakanishi said, “The Kizashi is a major step forward for Maruti Suzuki. With the launch of this luxurious sporty sedan, Maruti Suzuki is able to offer an international car to top-end customers in India.”

**The young audience:** With a focus on the youth buyer category, which contributes to about 60% of sales, the company is shortening product life cycles. It is also improving the shopping experience. Apart from increasing the dealer network from the current 840 to 953, Maruti has embarked on a project to redesign customer formats and focus on dealer business viability. Dealers will offer vehicle servicing, insurance, financing, spare parts and customization with genuine accessories.

Company research has found that customers are Internet-savvy, with about 70% doing some homework online before buying. Therefore, Maruti is honing its social media profile.

**Rural markets:** . Maruti sales were growing at a healthy 41% while sales growth in many urban markets was declining. That got the company thinking. Its regular retail outlets had high overhead. So it started a program for the “sons of soil” by recruiting rural resident sales officers. Today, it has 5,239 of them throughout the country. In recent months, the Eco model has done well in rural areas.

A professor at the Indian Institute of Foreign Trade who specializes in auto industry marketing: “Maruti’s strengths are the low

maintenance of its products and strong after-sales. It is also very strong in B- and C-class towns.”

**Reformatting production:** Maruti is adding a third plant to those it has in Gurgaon and Manesar to take annual production capacity in 2013-2014 to 1.75 million. It is also trying to squeeze more from existing facilities. “Through these steps we hope that we will be able to deliver the new needs of the market,” says M.M. Singh, managing executive officer (production). The company is also working with local industrial training institutes; it has 8,600 employees today and will need 5,400 more over the next five years. “One area that I focus on is to walk hand in hand with the workers so that their needs are met, while stretching them to the maximum extent possible,” Singh says.

Other initiatives are in the areas of logistics and vendor management. Sudam Maitra, managing executive officer (supply chain) says Maruti is even arranging bank financing for its vendors. The vendor base was trimmed from 385 to 225 five years ago. The numbers are being stepped up again. Some 15 global suppliers — who are also suppliers to Suzuki — have been added to the network.

**Focus on R&D:** Maruti is working closely with Suzuki on research and development. The Indian market will no longer accept products designed for foreign conditions. As it grows more important, Maruti must have indigenous research capacity. “This is one more step in bringing Maruti closer to the Suzuki platforms worldwide,” says I.V. Rao, managing executive officer (engineering).

Nakanishi sums it up. “Our vision is clear: to remain the leader in the industry, maintain market share and contribute to the Indian economy. There are a number of challenges. But we hope that, through our multiple plans, we will be able to achieve our vision.”

“We believe the Indian market will double in the next five years from two million cars to four million-plus,” Pareek says. “We hope half of that will continue to come from Maruti. After 28 years of growth, we reached sales of one million cars last year. In the next five years, we are faced with the challenge and the opportunity to double it. What that means is that we have to do everything faster in a shorter period of time.”

## Summary

Organizations facing exciting and dynamic challenges require strategic approach to managing their organizations. A strategy is a comprehensive master plan stating how the organization will achieve its mission and objectives. It is concerned with resource propositions and change management. Strategic decisions are different from operational decisions. Operational decisions are technical decisions which help execution of strategic decisions.

Strategic management is important because of its Universal need of organizations to Be in tune with environment by defining Mission, Vision, and Goals and setting the Strategic direction to gain Competitive disadvantage and for motivating employees, promoting Efficiency and effectiveness. Strategies are classified by hierarchical levels as: Corporate strategy, Business strategy, Functional strategy and Operating strategy.

Companies and strategists craft strategies in different ways such as -Chief Architect approach, Delegation Approach, Collaborative or Team Approach, and Corporate Intrapreneur Approach. Different models of strategic management are evolved depicting process steps. The strategic management process is made up of five elements: Mission and vision formulation, situation analysis, strategy formulation, strategy implementation, and strategy evaluation.

### **CASE: Image Makeover**

Maruti Suzuki India Limited commonly referred to as Maruti, is a subsidiary company of Japanese automaker Suzuki Motor Corporation. It is the market leader in India, with a market share of 44.9% of the Indian passenger car market as of March 2011. Maruti Suzuki offers a complete range of cars from entry level Maruti 800 and Alto, to hatchback Ritz, A-Star, Swift, Wagon-R, Estilo and sedans DZire, SX4, in the 'C' segment Maruti Eeco, Multi Purpose vehicle Ertiga and Sports Utility vehicle Grand Vitara. It was the first company in India to mass-produce and sell more than a million cars. It is largely credited for having brought in an automobile revolution to India.

## **Luxury Car Launched**

Maruti has been clear all along that it is a manufacturer of compact cars. Two years ago, Chairman R.C. Bhargava observed that India is an acutely cost-conscious market. Small was looking beautiful in other countries, too. A greater awareness that large cars are a needless luxury is dawning upon the Europeans. However, Maruti's attention isn't only on small cars.

After its launch in Japan in late 2009, the luxury sedan Kizashi was introduced in the US. In 2011, it was launched with an introductory price of up to Rs 17.5 lakh. The car, powered by a 2.4 litre petrol engine, will be imported from parent Suzuki's Japan facility. Kizashi customers will be different and hence the whole offering, sales process, sales delivery method, everything will be tuned to these types of customers.

## **Is this a Right Move?**

Is the Kizashi (which means "omen" in Japanese) a diversion? Some of the questions raised were: Can Maruti make a compact car — with a design rooted in "frugal engineering" — and a luxury car at the same time? Do these not require different corporate cultures?

Maruti clarifies that the Kizashi is being imported as a completely built unit, so the question of a clash in manufacturing styles is avoided. "In our view, frugal engineering does not mean lack of attention to detail," says Mayank Pareek, Maruti's managing executive officer (marketing and sales). "All our products across the full range — from the low-end compact Maruti 800 to the premium sedan SX4 — remain the best value for money in India."

Pareek agrees that a sort of image change is under way. "Maruti essentially remains the leading compact-car maker in India," he says. "There are seven compact car models from Maruti Suzuki on offer. However, in keeping with the leadership position, Maruti Suzuki finds it necessary to offer products across segments. Thus the Kizashi has been introduced in India. Kizashi — a world strategic model of Suzuki — is a step toward the transition of Suzuki Motor Corporation from a small-car maker to a complete carmaker."

Where Suzuki goes, Maruti must follow. The Japanese company has a 54.2% stake in its Indian subsidiary. Says auto analyst Murad Ali Baig: “Maruti is totally under the thumb of Suzuki. They cannot change a button on a worker’s uniform without permission.” A visit to a Maruti factory would show employees engaged in morning calisthenics and a gung-ho salary man spirit — all very alien to Indian culture.

However, Baig feels that Maruti has lost the thread. “I wouldn’t say that Maruti is losing its identity. It is deliberately seeking a new identity. It is no longer willing to be seen as a small-car manufacturer. It wants to be a complete car manufacturer.”

### Challenges Ahead

The transition won’t be easy. The Maruti image has been established over 28 years. And while a progression to bigger and more expensive vehicles has been accepted, the very top end needs an image of class, not mass. “The world is not prepared to accept a prestige brand from Maruti.”

Tata Motors has discovered that the Nano doesn’t move from its showrooms because people feel intimidated to enter them; salesmen concentrate on pricier products with higher margins. At Maruti showrooms — the Kizashi will be available only in a select few — the upmarket vehicle is likely to adorn a corner while salesmen concentrate on more basic wares. “I don’t think they will sell many Kizashis,” says an analyst.

But Maruti may need to upgrade alongside India. The super-premium luxury Aston Martin was launched in April, joining BMW and Audi. Maserati will open its first showroom soon. If Maruti doesn’t have an upper-end presence it risks being labeled the automobile market’s *eau de cologne*. Such comparisons have been made before when Indian companies took on MNCs, most controversially in steel.

### Questions

1. Is the decision to introduce a luxury sedan right?
2. What should be the future course of action for Maruti?

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## Lesson 4.2 - Strategic Analysis

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### Learning Objectives

*After studying the lesson you will be able to:*

- Explain the concept of strategic analysis
- Understand the methods of strategic analysis

### Introduction

Strategy formulation is a combination of rational, scientific examinations and educated, intuitive best guesses. Many individuals are overwhelmed by the idea of developing strategies, but it can be a fun and invigorating process. The process entails: examining the organization's critical issues, determining how the organization's strengths and skills can be employed to address the critical issues, analyzing opportunities and strengths, and choosing the best approaches for the organization. A number of analytical tools have been developed to assist organizations with the planning process.

### Concept

Strategic Analysis is explained as follows in BNET Business Dictionary '... the process of conducting research on the business environment within which an organization operates and on the organization itself, in order to formulate strategy.'

Professor Les Worrall, Wolverhampton Business School defined as follows:

'... a theoretically informed understanding of the environment in which an organization is operating, together with an understanding of the organization's interaction with its environment in order to improve organizational efficiency and effectiveness by increasing the organization's capacity to deploy and redeploy its resources intelligently.'

Worall's definition help identify the following points.

- Areas of understanding - (i) environment and (ii) organization – environment interactions ( researching environment and organization )
- Decisions to be taken - increasing the organization's capacity to deploy and redeploy its resources intelligently.' (strategy formulation)
- Results to achieve - To improve organizational efficiency and effectiveness

### **Importance**

Strategic analysis helps firms in the following ways.

***Provides clarity*** - Strategic analysis will lead to clearer more relevant goals, better quality decisions, and a more secure future as you are better prepared for what will happen.

***Indicates direction***- Otherwise known as “external environmental analysis” it is a key step in strategic planning. It is the link between getting your overall direction right and making the right decisions. You will make better decisions if you understand the influences from the outside world to which you might have to respond in the future.

***Provides assurance*** -Many funders are reassured by strategic analysis because they know that organizations that are well prepared for their future are more likely to use grants, donations and loans to greatest advantage and to maximize the difference their organization makes.

***Helps avoid missing opportunities***- The cost of not doing at least a small amount of strategic analysis means missed opportunities (some call this ‘opportunity cost’ – the cost of not doing something). If you don't do strategic analysis you risk being left behind, missing opportunities for beneficiaries.

### **Tools of Strategic Analysis**

Analytical methods and tools are important for ensuring that consistency and an appropriate level of rigour is applied to the analysis.

Some of the analytical methods used in strategic analysis include the following.

- SWOT analysis
- PEST analysis
- Porter's five forces analysis
- Four corner's analysis
- Value chain analysis
- Early warning scans
- Benchmarking

The aim of the analytical tool is to sharpen the focus of the analysis and to ensure a methodical, balanced approach. All analytical tools rely on historical, backward looking data to extrapolate future assumptions. It is important to exercise caution when interpreting strategic analysis results. Otherwise the analysis may be unduly influenced by preconceptions or pressures within the organization which seek to validate a particular strategic assumption. One of the key skills of a strategic analyst is in understanding which analytical tools or techniques are most appropriate to the objectives of the analysis

The important considerations to be aware of when using analytical tools:

1. The tool must help to answer the question that the organization has asked. The expected benefit of using the tool needs to be defined and it must be actionable. The more clearly the tool has been defined, the more likely the analysis will be successful.
2. Many tools benefit from input and collaboration with other people, functions or even organizations. There should be sufficient time for collaboration and advance warning given so that people can accommodate the analysis.
3. Proper use of analytical tools may be time consuming. It is important to ensure that key stakeholders, for example, the board, senior directors and company departments are aware of this. Otherwise they may not be able to provide the necessary commitment to complete the analysis.

## Analysis of Retail Environment

We will now discuss the commonly used strategic analysis tools for analyzing environment.

### SWOT analysis

A SWOT analysis is a simple but widely used tool that helps in understanding the strengths, weaknesses, opportunities and threats involved in a project or business activity. It starts by defining the objective of the project or business activity and identifies the internal and external factors that are important to achieving that objective. strengths and weaknesses are usually internal to the organisation, while opportunities and threats are usually external. Often these are plotted on a simple 2x2 matrix.

#### SWOT analysis diagram

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>➤ What does your organization do better than others?</li> <li>➤ What are your unique selling points?</li> <li>➤ What do your competitors and customers in your market perceive as your strengths?</li> <li>➤ What is your organization's competitive edge?</li> </ul>	<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>➤ What political, economic, social-cultural, or technology (PEST) changes are taking place that could be favourable to you?</li> <li>➤ Where are there currently gaps in the market or unfulfilled demand?</li> <li>➤ What new innovation could your organization bring to the market?</li> </ul>
<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>➤ What do other organizations do better than you?</li> <li>➤ What elements of your business add little or no value?</li> <li>➤ What do competitors and customers in your market perceive as your weakness?</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>➤ What political, economic, social-cultural, or technology (PEST) changes are taking place that could be unfavourable to you?</li> <li>➤ What restraints to you face?</li> <li>➤ What is your competition doing that could negatively impact you?</li> </ul>

When using SWOT analysis make sure of the following:

- Only specific, verifiable statements are used. An example might be 'price is ` 3 per unit lower than competition' rather than 'good value for money'.
- Internal and external factors are prioritised so that time is spent concentrating on the most significant factors. This should include a risk assessment to ensure that high risk or high impact threats and opportunities are clearly identified and are dealt with in priority order.
- Issues identified are retained for later in the strategy formation process.
- The analysis is pitched at the project or business activity level rather than at a total company level, which may be less actionable.
- It is not used in exclusivity. No one tool is likely to be completely comprehensive, so a mixture of option-generating tools should be used.

### **CASE: Nike- Strengths and Weaknesses ( Functional Level)**

#### **Marketing**

##### ***Market Share - Strength***

Nike's global market share was an impressive 30.4%. Despite a slight decline from prior years, Nike continues to have the greatest market share in the U.S. branded athletic footwear market. The closest competitor, Adidas, held 15.5% of the market share while Reebok held 11.2%. The remaining competitors, including Fila, Timberland, Asics, Converse, and New Balance, among others, each hold approximately 3-5% of the remaining market share. While Nike's market share is still in the lead, it is expected to increase with new products.

##### ***Distribution through E-commerce - Strength***

Nike has taken the lead in e-commerce by being the first to market with its e-commerce web-site. NIKEiD enables online consumers to design key elements of the shoes they purchase. The program represents the first

time a company has offered mass customization of footwear. Nike's future plans include opening an online shop for the Japanese market next year followed by global rollout. By being the first to market, Nike enables itself to become established while competitors rush to join us.

### ***Advertising and Promotion - Strength***

Nike's brand images, including the Nike name and the trademark Swoosh, are considered to represent one of the most recognizable brands in the world. This brand power translates into bottom-line revenues. The Nike name and associated trademarks have appeared everywhere from players' shirts, pants, and hats to stadium banners and walls. Aggressive advertising campaigns, celebrity endorsements, and quality products enhance the brand.

### ***Products - Strength***

Though Nike leads the apparel division among industry competitors, Nike has not claimed to be leading the race among the apparel industry as a whole. Due to increased emphasis by consumers on fashion in relation to sportswear, we have had to make strides to appeal to a fashion savvy market. Our apparel line is not only being challenged by our typical industry competitors such as Adidas and Reebok, but also by clothing and accessories retailers such as Old Navy and Abercrombie & Fitch. Continuous marketing research could prove to be key in assessing the market. Nike is planning on initiating five structures within the apparel division to focus on the following areas:

- Women
- Men
- Kids
- sports graphics and caps
- strategic response independently

Nike is also spending more time on continuing to support and develop programs to gain a better understanding what our customers would like to see in the market.

### ***Products - Weakness***

Nike has had much success as a result of collaborating with other companies within the sports and fitness industry. However, at times Nike expanded into markets for which we were not strategically suited.

#### **Pricing - Weakness**

In general, Nike's products are considered to be of higher quality and as a result have higher prices relative to our competitors. While the prices are realistic given the nature of the products Nike offers to the consumers, at times their consumers may not agree. This presents a weakness. To mitigate any future problems in high quality/high price lines, Nike is placing a renewed emphasis on emerging technology and innovation towards the development of new products, specifically the Nike Alpha Project, a revolutionary new line of athletic shoes.

### ***Marketing Research - Strength***

Nike primarily conducts marketing research on a continual basis to assist in maintaining our company's position as the leader in the athletic footwear and apparel industry. Because of such research, we have decided to revamp our apparel division, an area in which they can still greatly improve. Nike will be organizing the internal business by gender as opposed to sport category and conducting increasing amounts of research addressing the buying habits of men, who tend to be item-driven, and women, who tend to be collection-driven, with specifically targeted product lines.

### **Production**

#### ***Location of Facilities - Strength***

Nike's facilities are located throughout Asia and South America. The locations are geographically dispersed which works well in their mission to be a truly global company. The production facilities are located close to raw materials and cheap labor sources. They have been strategically placed in their locations for just this purpose. In general, the facilities are located further from most customers, resulting in higher distribution costs. However, the cost savings due to the placement of their production facilities allows for cheaper production of our products despite the higher

costs of transporting our products. As Nike continues to expand in the global economy and increase its market throughout the world, these dispersed facilities will prove to be beneficial.

### ***Newness of Facilities - Weakness***

The facilities abroad have attracted bad publicity in recent years. Though the facilities comply with local labor standards, generally, they have not met U.S. standards. As part of Nike's new labor initiative, they commit to:

- Expanding the current independent monitoring programs to include non-governmental organizations, foundations and educational institutions.
- Funding university research and open forums to explore issues related to global manufacturing and responsible business practices such as independent monitoring and air quality standards.

While establishing these policies is a step in the right direction for Nike, the difficult task at hand will be the implementation of the aforementioned goals to ensure the success of the program.

## **Research and Development**

### ***Focus - Strength***

Although Nike conducts continuous, basic research that benefits numerous facets of the sports and fitness industry, their primary focus is directed towards applied research. Applied research focuses on short-term initiatives such as successfully developing new product lines. This proves to be a strength in that this method of research is less costly than basic research, and less risky due to the short-term nature. Successful projects can realize immediate profitability while unsuccessful projects may be discontinued without enduring materially large losses.

### ***Focus - Weakness***

Focusing on applied research can be a weakness as well. Many new, innovative ideas come into existence as a result of basic, unspecific research.

Though more risky and expensive, Nike would benefit from increasing the amount of basic research we conduct with hopes of uncovering potential opportunities of which Nike could take advantage.

### ***Posture - Strength***

Nike's posture is primarily innovative, while at times adjusting to a protective position, and other times a catch-up stance. Nike prides itself on being a premiere provider of high quality sports footwear and apparel. Innovation has been the key to aiding Nike in securing its position as the leader in the market. Due to the lead Nike possesses in the industry, we can afford to look long-term and place a greater emphasis on innovation as opposed to other companies with a short-term outlook attempting to improve upon existing products and services. At times, Nike need to adjust their posture in relation to a particular product line or area of products. In these instances, Nike may choose a defensive strategy to remedy the current situation. Nike may also choose a catch-up strategy and mimic what is working well for other companies in the industry.

### **Human Resources**

#### ***Human Capital - Weakness***

While Nike has had various policies in place, weaknesses still exist in regards to labor policies in overseas locations. Nike received much bad publicity as well as experienced a decrease in sales as a result of poor labor policies and lack of policies established abroad. Because of this and Nike's goal to be a responsible citizen of the corporate world, Nike has committed to goals to better the problems as part of the aforementioned labor initiative:

- Increasing the minimum age of footwear factory workers to 18, and minimum age for all other light-manufacturing workers (apparel, accessories, equipment) to 16;
- Expanding education programs, including junior and high school equivalency courses, for workers in all Nike footwear factories;
- Increasing support of its current micro-enterprise loan program to 1,000 families each in Vietnam, Indonesia, Pakistan, and Thailand.

While establishing these policies is a step in the right direction for Nike, the difficult task at hand will be the implementation of the aforementioned goals of the new labor initiative to ensure the success of the program.

## PEST Analysis

PEST analysis is a scan of the external macro-environment in which an organization exists. It is a useful tool for understanding the political, economic, socio-cultural and technological environment that an organization operates in. It can be used for evaluating market growth or decline, and as such the position, potential and direction for a business.

- **Political factors.** These include government regulations such as employment laws, environmental regulations and tax policy. Other political factors are trade restrictions and political stability.
- **Economic factors.** These affect the cost of capital and purchasing power of an organisation. Economic factors include economic growth, interest rates, inflation and currency exchange rates.
- **Social factors.** These impact on the consumer's need and the potential market size for an organisation's goods and services. Social factors include population growth, age demographics and attitudes towards health.
- **Technological factors.** These influence barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change.

PEST factors can be classified as opportunities or threats in a SWOT analysis. It is often useful to complete a PEST analysis before completing a SWOT analysis. It is also worth noting that the four paradigms of PEST vary in significance depending on the type of business. For example, social factors are more obviously relevant to consumer businesses or a B2B business near the consumer end of the supply chain. Conversely, political factors are more obviously relevant to a defence contractor or aerospace manufacturer.

### Porter's Five Forces

Porter's five forces of competitive position analysis was developed in 1979 by Michael E. Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization. This theory is based on the concept that there are five forces which determine the competitive intensity and attractiveness of a market. Porter's five forces help identify where power lies in a business situation. This is useful both in understanding the strength of an organization's current competitive position, and the strength of a position that an organization may look to move into.

Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes. The five forces are presented in Table.

#### Porter's five forces

Supplier power	<p>An assessment of how easy it is for suppliers to drive up prices.</p> <p>This is driven by:</p> <ul style="list-style-type: none"> <li>➤ the number of suppliers of each essential input</li> <li>➤ the uniqueness of their product or service</li> <li>➤ the relative size and strength of the supplier</li> <li>➤ the cost of switching from one supplier to another</li> </ul>
Buyer power	<p>An assessment of how easy it is for buyers to drive prices down.</p> <p>This is driven by:</p> <ul style="list-style-type: none"> <li>➤ the number of buyers in the market</li> <li>➤ the importance of each individual buyer to the organization</li> <li>➤ the cost to the buyer of switching from one supplier to another.</li> </ul>

Competitive rivalry	<p>Many competitors, offering undifferentiated products and services, will reduce market attractiveness.</p> <ul style="list-style-type: none"> <li>➤ Number of competitors in the market</li> <li>➤ Size of competitors</li> <li>➤ Differentiation</li> <li>➤ Industry growth rate</li> <li>➤ Exit barriers.</li> </ul>
Threat of substitution	<p>Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases.</p> <ul style="list-style-type: none"> <li>➤ Product differentiation</li> <li>➤ Buyer switching cost</li> <li>➤ Buyer propensity to substitute</li> </ul>
Threat of new entry	<p>Profitable markets attract new entrants, which erodes profitability.</p> <ul style="list-style-type: none"> <li>➤ Switching costs</li> <li>➤ Economies of scale</li> <li>➤ Learning curve.</li> <li>➤ Capital requirements</li> <li>➤ Patents</li> </ul>

Source: Michael Porter's five forces of competitive position model, [www.businessballs.com/portersfiveforcesofcompetition.htm](http://www.businessballs.com/portersfiveforcesofcompetition.htm)

### Analysis of Resources

Resources refer to an asset, competency, process, skill, or knowledge controlled by the corporation. They are classified into two categories:

- Tangible resources – physical assets of an organisation
- Intangible resources – non-physical assets of an organisation

Another way of classifying the resources is as given under.

- Human Resources
- Physical Resources
- Financial Resources
- Intellectual Capital

Value-rareness-limitability and organization (VRIO) framework is used to evaluate the resources

- **Value:** Does it provide competitive advantage?
- **Rareness:** Do other competitors possess it?
- **Imitability:** Is it costly for others to imitate?
- **Organization:** Is the firm organized to exploit the resource?

### Competences Analysis

**Competences refer to the** activities and processes through which an organisation deploys its resources effectively i.e the combination of the firm's bundle of resources. It is when these competencies are translated into products/services that they are of value to customers.

In their key 1990 paper "The Core Competence of the Corporation", C.K.Prahalad and Gary Hamel argue that "Core Competences" are some of the most important sources of uniqueness: These are the things that a company can do uniquely well, and that no-one else can copy quickly enough to affect competition. Hamel and Prahalad give three tests to see whether they are true core competences:

- **Relevance:** Firstly, the competence must give your customer something that strongly influences him or her to choose your product or service. If it does not, then it has no effect on your competitive position and is not a core competence.
- **Difficulty of Imitation:** Secondly, the core competence should be difficult to imitate. This allows you to provide products that are better than those of your competition. And because you're continually working to improve these skills, means that you can sustain its competitive position.
- **Breadth of Application:** Thirdly, it should be something that opens up a good number of potential markets. If it only opens up a few small, niche markets, then success in these markets will not be enough to sustain significant growth.

An example: You might consider strong industry knowledge and expertise to be a core competence in serving your industry. However,

if your competitors have equivalent expertise, then this is not a core competence. All it does is make it more difficult for new competitors to enter the market. More than this, it's unlikely to help you much in moving into new markets, which will have established experts already.

Apple's unique competence seems to be its product design process. With the iPod, Apple combined the elements of jukebox software, which could organize a large amount of songs, and MP3 players, which held lots of songs. Apple combined these elements in a way that was simple to use. Simplicity turned out to be the core attribute that made the iPod a revolutionary product, one that changed consumer expectations.

Core competency analysis will focus on the areas given in Table.

#### **Areas of assessment for core competences.**

<b>S.No</b>	<b>Area</b>	<b>Assessment</b>
1	Leadership Effectiveness.	
2	Workforce Capability and Engagement	
3	Organizational Systems and Structures.	
4	Operational Performance.	
5	Customer and Market Knowledge.	
6	Customer Satisfaction and relationship.	
7	Service Excellence.	
8	Strategic Management.	

### **Strategic Capability**

As businesses compete with one another for customers, market share and revenue, they employ tactics according to deliberate strategies. The process of shaping strategies and putting them into action is the responsibility of a business' leadership. However, not all businesses have the same advantages when it comes to developing and employing strategy.

### **Definition**

Strategic capability refers to a business' ability to successfully employ competitive strategies that allow it to survive and increase its value over time. While strategic capability does take into account the strategies a business uses, it focuses on the organization's assets, resources and market position, projecting how well it will be able to employ strategies in the future. There is no single method or universal metric for measuring or noting strategic capability.

### **Significance**

A business' strategic capability is a major component in remaining financially viable and growing despite the presence of competitors in a free market. Many groups of interested parties attempt to measure and track strategic capability. They include investors, who want to put their money into businesses with reasonable chances of future success and growth. Employees also care about strategic capability since it identifies businesses that are stable and unlikely to go under or those that need to cut costs through layoffs.

Business leaders track strategic capability, not only for their own companies but also for competitors to better understand the markets in which they operate. Finally, financial analysts and government regulatory agencies have interests in strategic capability since it plays a role in how they value and monitor businesses.

### **Elements**

Many elements can potentially contribute to a business' strategic capability. Assets such as cash, property and patents all contribute to a business' ability to formulate and employ strategies. Other elements of strategic capability include human resources and organizational structure, since employee skills and leadership mechanisms all contribute to a business' competitiveness. Pricing can also be a part of strategic capability, with businesses that understand how to manipulate prices to maximize profits likely to enjoy strategic advantages over competitors that have trouble arriving at profitable price points for their products.

## Assessing Strategic Capability

It is a complex process, in part because of the number of factors it must address. The process of evaluating a business' strategic capability is known as a strategic value analysis. It relies on data from annual reports, public surveys and market trends to determine which businesses in a given industry have strategic capabilities that others lack. As businesses change and acquire additional resources, analysts must continually perform new strategic value analyses.

Two of the techniques that help conducting value analysis are: value chain analysis and bench marking.

### **Marks and Spencer's Capabilities in a Changing Environment**

Marks and Spencer (a UK retail chain) has been a highly profitable organisation. Its profitability has been founded on a unique set of resources and capabilities that together have given it significant competitive advantage.

- ▶ A base of properties in prime retail locations which help M&S achieve occupancy costs well below sector averages.
- ▶ A brand reputation with a wide base of customers which has not required reinforcement or building through advertising or promotions.
- ▶ Employee loyalty leading to lower than average turnover and retention of employee skills.
- ▶ Close and effective management of supply chains leading to lower costs and higher quality.
- ▶ Flat management structure combined with effective management systems.

*Source:* 3.2 Building capabilities and relationships - Strategic view of . . . openlearn.  
[open.ac.uk/mod/resource/view.php?id=161739](http://open.ac.uk/mod/resource/view.php?id=161739).

## Value Chain Analysis

Value chain analysis is a comprehensive technique for analysing an organisation's source of competitive advantage. Before making a strategic decision, it is important to understand how activities within the organization create value for customers.

Value chain analysis is based on the principle that organizations exist to create value for their customers. In the analysis, the organization's activities are divided into separate sets of activities that add value. The organization can more effectively evaluate its internal capabilities by identifying and examining each of these activities. Each value adding activity is considered to be a source of competitive advantage.

Influential work by Michael Porter suggested that the activities of a business could be grouped under two headings:

- **Primary Activities** - those that are directly concerned with creating and delivering a product (e.g. component assembly); and
- **Support Activities**, which whilst they are not directly involved in production, may increase effectiveness or efficiency (e.g. human resource management). It is rare for a business to undertake all primary and support activities.

Value Chain Analysis is one way of identifying which activities are best undertaken by a business and which are best provided by others ("outsourced").

## Linking Value Chain Analysis to Competitive Advantage

What activities a business undertakes is directly linked to achieving competitive advantage. For example, a business which wishes to outperform its competitors through differentiating itself through higher quality will have to perform its value chain activities better than the opposition. By contrast, a strategy based on seeking **cost** leadership will require a reduction in the costs associated with the value chain activities, or a reduction in the total amount of resources used.

## Primary Activities

Primary value chain activities include:

Primary Activity	Description
Inbound logistics	All those activities concerned with receiving and storing externally sourced materials
Operations	The manufacture of products and services - the way in which resource inputs (e.g. materials) are converted to outputs (e.g. products)
Outbound logistics	All those activities associated with getting finished goods and services to buyers
Marketing and sales	Essentially an information activity - informing buyers and consumers about products and services (benefits, use, price etc.)
Service	All those activities associated with maintaining product performance after the product has been sold

## Support Activities

Support activities include:

Secondary Activity	Description
Procurement	This concerns how resources are acquired for a business (e.g. sourcing and negotiating with materials suppliers)
Human Resource Management	Those activities concerned with recruiting, developing, motivating and rewarding the workforce of a business
Technology Development	Activities concerned with managing information processing and the development and protection of “knowledge” in a business
Infrastructure	Concerned with a wide range of support systems and functions such as finance, planning, quality control and general senior management

## Steps in Value Chain Analysis

Value chain analysis can be broken down into a three sequential steps:

- (1) Break down a market/organization into its key activities under each of the major headings in the model;
- (2) Assess the potential for adding value via cost advantage or differentiation, or identify current activities where a business appears to be at a competitive disadvantage;
- (3) Determine strategies built around focusing on activities where competitive advantage can be sustained

### An example

Rao, software development manager has conducted a Value Chain Analysis to think about how his team can deliver excellent service to their clients.

*Activity Analysis*– They identified the following primary activities that create value for clients: Order taking, Specification, Scheduling, Software development, Program testing, Delivery and Service support Rao identified the following secondary, non-client-facing activities as being important: Recruitment( Choosing people who will work well with the team) and Training( Helping new team members become effective as quickly as possible, and helping team members learn about new software, techniques and technologies as they are developed)

Now he took order taking and identified the value factors for clients. They are:

- Giving a quick answer to incoming phone calls,
- Having a good knowledge of the customer's business, situation and system, so that they do not waste the customer's time with unnecessary explanation,
- Asking all the right questions, and getting a full and accurate understanding of the customer's needs, and
- Explaining the development process to the customer and managing his or her expectations as to the likely timetable for delivery.

Next they identified the resources necessary to provide such value and estimated cost of the resources- receptionist, accounts manager, system analyst and system development team.

Value addition activities suggested are: 3-ring rule, team updates and training system, and client briefing skills.

## **Benchmarking**

Benchmarking is the process of identifying “best practice” in relation to both products (including) and the processes by which those products are created and delivered. The search for “best practice” can take place both inside a particular industry, and also in other industries.

The objective of benchmarking is to understand and evaluate the current position of a business or organization in relation to “best practice” and to identify areas and means of performance improvement.

### **Process**

Benchmarking involves looking outward (outside a particular business, organisation, industry, region or country) to examine how others achieve their performance levels and to understand the processes they use. In this way benchmarking helps explain the processes behind excellent performance. When the lessons learnt from a benchmarking exercise are applied appropriately, they facilitate improved performance in critical functions within an organisation or in key areas of the business environment.

Application of benchmarking involves four key steps:

- (1) Understand in detail existing business processes
- (2) Analyse the business processes of others
- (3) Compare own business performance with that of others analysed
- (4) Implement the steps necessary to close the performance gap

Benchmarking should not be considered a one-off exercise. To be effective, it must become an ongoing, integral part of an ongoing improvement process with the goal of keeping abreast of ever-improving best practice.

## Types

There are a number of different types of benchmarking, as summarized below:

**Strategic Benchmarking** - Where businesses need to improve overall performance by examining the long-term strategies and re-aligning business strategies that have become inappropriate. Benchmarking is done with reference a leading firm. Changes resulting from this type of benchmarking may be difficult to implement and take a long time to materialize

**Performance or Competitive Benchmarking** – When performance improvements are considered necessary. It involves assessing relative level of performance in key areas or activities in comparison with others in the same sector and finding ways of closing gaps in performance.

**Process Benchmarking**- Focuses on improving specific critical processes and operations. Benchmarking partners are sought from best practice organizations that perform similar work or deliver similar services.

**Functional benchmarking** - Businesses look to benchmark with partners drawn from different business sectors or areas of activity to find ways of improving similar functions or work processes. This sort of benchmarking can lead to innovation and dramatic improvements.

**Internal benchmarking** - It involves benchmarking businesses or operations from within the same organization (e.g. business units in different countries). The main advantages of internal benchmarking are that access to sensitive data and information is easier; standardized data is often readily available; and, usually less time and resources are needed.

There may be fewer barriers to implementation as practices may be relatively easy to transfer across the same organization. However, real innovation may be lacking and best in class performance is more likely to be found through external benchmarking.

**External benchmarking** – It involves analyzing outside organizations that are known to be best in class. External benchmarking provides opportunities of learning from those who are at the “leading edge”.

**International benchmarking** - This type of benchmarking can take up significant time and resource to ensure the comparability of data and information, the credibility of the findings and the development of sound recommendations. Best practitioners are identified and analyzed elsewhere in the world, perhaps because there are too few benchmarking partners within the same country to produce valid results.

### **Bench Marking in Retail**

The following four areas can be improved and made more effective from the use of benchmarks.

**Sales Effectiveness.** By measuring sales, you can determine if your retail business is achieving its optimal level of sales on a daily, weekly, monthly or annual basis. Using sales is an obvious measurement tool, but understanding how other retail businesses are performing versus yours can provide some future goals that your business can reach for.

**Merchandising Effectiveness.** Determining how effective your merchandise assortments are and measuring turnover performance will help maximize your gross profit to its fullest potential. Utilizing measurements for like industry businesses can showcase any room for improvement your business can make.

**Marketing Effectiveness.** Using benchmarks to measure the investment in marketing for your retail business can determine if you are achieving the appropriate level of incremental sales and profit with your marketing dollars. Spending money on marketing activity is critical to your businesses’ long term success, so understanding the return on investment you should expect can give you performance metrics to achieve.

**Management Effectiveness.** Benchmarks can help you determine if your investments in non-sales generating overhead are appropriate for a business of your size. Recognizing any cost savings that can be achieved or reductions in overhead that are necessary will help improve your overall expenses and improve bottom line profits.

Understanding that benchmarks can measure both internal and external company effectiveness. Some possible benchmarks for your business to focus on include:

- Sales Per Transaction
- Customer Conversion Rate
- Sales Per Employee Hour
- Average Inventory Turn
- Average Inventory Shrinkage
- Sales Per Square Foot
- Average Gross Margin Percentage
- Sales Per Marketing Activities
- Sales Per Promotional Investment
- Overhead Percentage Of Sales
- Operating Margin
- Return On Invested Capital
- Sales Per Working Capital Invested

### **Summary**

Strategic analysis helps firms in the following ways- provides clarity, indicates direction, provides assurance and helps avoid missing opportunities. A number of analytical tools have been developed to assist organizations with the planning process..The popular analytical tools are: SWOT analysis, PEST analysis, Porter's five forces analysis, value chain analysis, and benchmarking The important considerations to be aware of when using analytical tools: (i) seek answers (ii) collaborate with people (iii) allot time.

A SWOT analysis helps in understanding the strengths, weaknesses, opportunities and threats involved in a project or business activity. PEST analysis is a scan of the external macro-environment for understanding the political, economic, socio-cultural and technological environment that an organization operates in. Porter's five forces (supplier power, buyer power, competitive rivalry, threat of substitution and threat of new entry) provides a simple framework for assessing and evaluating the competitive strength and position of a business organization. Resources analysis

employs VRIO- Value-rareness-framework for understanding the value. Competences are to be built for sustainability of organizations. Hamel and Prahalad give three tests -Relevance, Difficulty of Imitation, and Breadth of Application

Strategic capability refers to a business' ability to successfully employ competitive strategies that allow it to survive and increase its value over time. The process of evaluating a business' strategic capability is known as a strategic value analysis.

It involves identifying primary and secondary activities, assessing the potential for adding value via cost advantage or differentiation, and determining strategies for increasing competitive advantage.

Benchmarking is the process of identifying "best practice" in relation to both products (including) and the processes by which those products are created and delivered. There are a number of different types of benchmarking - Strategic Benchmarking, Performance or Competitive Benchmarking, Process Benchmarking, Functional benchmarking, Internal benchmarking, external benchmarking and International benchmarking

### **Self Assessment Questions**

1. Explain the concept of strategy.
2. Why is strategy important for business organizations?
3. Identify the levels of strategy making in large organizations.
4. Briefly explain the approaches to strategy making.
5. Elaborate the benefits of strategic analysis
6. What are the tools of strategic analysis?
7. Explain SWOT analysis and apply it to a retail stores
8. Explain PEST analysis with reference to a retail chain
9. What is Strategic capability? How is it assessed?
10. Describe the process of value chain analysis
11. What is bench marking? How is it done in case of a number two retailer

## CASE STUDY

### Marks And Spencer (M&S) Strategic Outlook

M&S is one of the most famous retailers in UK. It started in 1884 by Michael Marks in partnership with Tom Spencer in Leeds. Company offers various ranges of products that include stylish and high quality clothing, women's wear and lingerie, mens wear, kids wear, home wear, groceries, freshly produce prepared meals etc. They have around 2,000 suppliers globally, about 75,000 employees' and have 750 stores round the world.

**Vision** - To be the standard against which others are measured

**Mission** - To make aspirational quality accessible to all and

**Values** - Quality value, service, innovation and trust.

**Customer orientation** - Individuality, long experience, courage in development, and open-mindedness are our tools. The idiom "The Customer Is The King!!!" is, in our company, not simply a kind of marketing strategy - it is Tradition.

#### Competitive Analysis- Porter Model

**Bargaining power of Supplier**- Due to big brand names and diversified portfolio the brands are not influenced by supplier. The bargaining power of supplier is low. This factor works more when product line of business is less and there are few suppliers in the market. There is no such situation for Marks & Spencer..

**Bargaining power** Because of much competition in clothing market there are many sellers and limited buyers so buyers have more options that is way bargaining power of buyer is high the nature of product and nature of buyer both Marks & Spencer.. This factor affects more in B2B system.

**Threat of Substitute product**- There are may not be the exact substitute of product in case of both Marks & Spencer. Because there cannot be any substitute of clothing.

**Threat of new entrant**- Marks & Spencer has brand loyal customers. So there is no threat of new entrant.

**Industry Rivalry** -Being well established group and having good financial health M&S has no strong rivalry.

**PEST analysis**- PEST stands for 'Political, Economic, Social and Technological'. Political condition of United Kingdom is stable and favourable for the business. So far as economic and social factors are concerned both are good. When we look at technological factor it also very much in favour of doing business in UK. So PEST for both companies is same since both are in UK.

**Strategies**-There are three main generic strategies available to all companies including, either become the lowest-cost retailer or differentiate products and services in such a way that it is valued by customers to the extent that they will pay a premium price. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. The case of M&S's core products (food and clothing), it implements a focus generic strategy as it concentrates on a narrow segment (a particular buyer group (executives), market segment (high-end), product feature (freshness) and within that chosen segment M&S attempts to achieve differentiation from

Tesco's Asda, BHS, Top Shop etc. The premise is that the needs of the group can be better serviced by focusing entirely on it.

## **CASE STUDY**

### **Environment Analysis for INFOSYS**

Indian IT-BPO industry is estimated to achieve revenues of USD 79.7 billion in FY2010, Direct employment is expected to reach nearly 2.23 million, Indirect job creation is estimated to touch 8 million, Software and services exports (including BPO) are expected to account for over 99 per cent of total exports, While the current mood is that of "cautious optimism," the industry is expected to witness sustainable growth over a two-year horizon, going past its USD 60 billion export target in FY2011. The PEST analysis revealed the following information.

**Political** - Indian political structure is considered stable enough with Congress ruling the country with alliances.. U.S. government has declared that U.S companies that outsource IT work to other locations other than U.S. will not get tax benefit.

Government owned companies and PSUs have decided to give more IT projects to Indian IT companies. Terrorist attack or war fear are hovering the country..

**Economic** - Domestic market is expected to grow by 20%. There is a decline in real estate prices, resulting in reduction of the rental expenditures. Due to recession, the layoffs and job-cuts have resulted in low attrition rate. The Global IT spending is expected to decline steeply below the expected levels of \$869 billion by 2012.

**Social** - English is widely spoken language in India, English medium being the most accepted medium of education. Thus, India boasts of large English speaking population. A number of technical institutes and universities over the country offer IT education. The working population is on the rise. Working population is relatively young and ambitious. There is a rise in the number of IT graduates in India. India creates a large pool of skilled IT professionals each year, to meet industry requirements

**Technological** -.India has the second largest telephone network after china. India has the world's lowest call rates. Due to IT revolution of 1990s, Indian cities and India is well connected with under sea optical cables. Technologies like SOA, Web 2.0, High-definition content, grid computing, etc and innovation in low cost technologies is presenting new challenges and opportunities for Indian IT industry.

**Legal** - IT companies can set up SEZ (special economic zones) with minimum area of 10 hectares and enjoy a host of tax benefits and fiscal benefits. Indian government is strengthening the IT act, 2000 to provide a sound legal environment for companies to operate especially. related to security of data in transmission and storage, etc. Companies operating in Software Technology Park (STPI) scheme will continue to get tax-benefit till 2010. Companies are focusing on reducing the carbon footprints, energy utilization, water consumption,

## **Questions**

1. Do you agree with the analysis presented for INFOSYS?
2. What kind of information is further necessary?
3. Improve the PEST analysis by collecting additional information.

Source: Based on Strategic Analysis of Infosys Ppt Presentation - authorstream [www.authorstream.com/](http://www.authorstream.com/) . . . /marooo-509125-strategic-analysis-of-info . . . 7 Sep 2010.

### **Internet Exercise**

Check out comparative analysis of Infosys and Wipro, about their current business strategies in detail from the following and other sources:

Comparative analysis of Infosys, Wipro - [equitymaster.com](http://equitymaster.com) -[www.moneycontrol.com](http://www.moneycontrol.com) › News › Business › Earnings 10 Apr 2012.

### **Mini Project**

Using strategic analysis workbook at <https://www.msu.edu/course/aec/857/stratanal2.pdf>, conduct strategic analysis of a retail outlet in your local area.

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## UNIT – V

### Unit Structure

Lesson 5.1 - Retailstrategic Management

Lesson 5.2 - Mergers, Acquisitions and Alliances

Lesson 5.3 - Organisation Structure and Design

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### Lesson 5.1 - Retailstrategic Management

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### Learning Objectives

*After studying this lesson, you will be able to:*

- Know how strategic competitive advantage is built by retail organizations
- Apply strategic management process to retail organizations
- Appreciate the different types of strategies adopted by retail organizations.

### Introduction

Organized retailing is expanding in India. Large Indian business houses like Reliance, Tata Group, AV Birla, Bharti, Pantaloons, K Raheja and RPG, have employed mega retail plans. Operating in today's competitive and customer-oriented rapidly changing retail market, retailers require the ability to create and implement a winning market strategy. You need to plan for tomorrow's growth while you manage today's operations. Strategic Planning and management has become essential to analyze retail operations, identify organization's key success factors and opportunities, and plan for more profitable and productive operations and growth.

## Retail Strategy Explained

What is a retail strategy? A retail strategy is a statement identifying (1) the retailer's target market (2) the format the retailer plans to use to satisfy the target market's needs, and (3) the bases upon which the retailer plans to build a sustainable competitive advantage.

- The target market is the market segments(s) toward which the retailer plans to focus its resources and retail mix.
- A retail format is the retailer's type of retail mix (nature of merchandise and services offered, pricing policy, advertising and promotion programs, approach to store design and visual merchandising, and typical location and customer services).
- A sustainable competitive advantage is an advantage over competition that is not easily copied and thus can be maintained over a long time.

## Building Strategic Advantage

Seven important opportunities for retailers to develop sustainable competitive advantages are: (1) customer loyalty, (2) location, (3) human resource management, (4) distribution and information systems, (5) unique merchandise, (6) vendor relations, and (7) customer service.

1. **Customer Loyalty:** In order to keep customers committed to shopping at their store(s) and/or Web sites, retailers can build customer loyalty by (1) emphasizing a unique positioning, and (2) developing loyalty programs. For example, retailers can try to design a retail mix that creates an image in the customer's mind, which will keep them committed to the retailer. Or, by implementing customer loyalty programs, as part of a broader customer relationship management (CRM) program, and maintaining and analyzing customer purchasing data, retailers can develop strategies to create and maintain a loyal customer base.
2. **Location:** Location is one of the most important factors in retailing. For example, if a retailer is the only one of its kind in a certain area, or is set in a high traffic area with a visible store front, the retailer has a competitive advantage. Starbucks coffee is a great example.

They will conquer one area of a city at a time and then expand in the region. They open stores close to one another to let the storefront promote the company; they do little media advertising due to their location strategy.

3. **Human Resource Management:** Since retailing is a labor-intensive business and also has high levels of contact between employees and customers, retailers need to develop programs to motivate and coordinate employee efforts. These are usually done by providing appropriate incentives for employees, fostering a strong and positive organizational culture, and managing diversity.
4. **Distribution and Information Systems:** Retailers can achieve significant operational efficiencies through developing sophisticated distribution and information systems. Efficient operations reduce retailer costs, and thus, enable retailers to provide the same or similar merchandise at lower prices than their competitors. Walmart has excelled in this to offer “Always low prices”.
5. **Unique Merchandise:** Retailers can develop sustainable competitive advantage by offering private-label brands.
6. **Vendor Relations:** Retailers may gain exclusive rights to sell merchandise in a region, to buy merchandise at lower prices, or to receive popular merchandise in short supply through strong vendor relationships.
7. **Customer Service:** Retailers can build competitive advantage by offering excellent customer service. This involves instilling the importance of good customer service in employee training and performance and consciously developing a reputation for good service. For example, McDonalds- fast, clean, and hot food. They have cheap meals, at a nice facility, and good customer service with a strong reputation of always providing fresh hot food.

Retailers should not rely on a single approach to gain a sustainable competitive advantage, but instead, should use multiple approaches. Consider the following examples of retailers who adopted multiple approaches to build competitive advantage.

**Chico's** specializes in comfortable, easy-to-wear apparel designed for women in the age group of 35-55 years old. The company sells only its

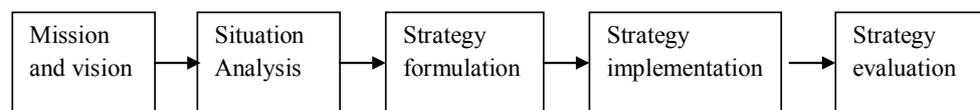
own brand and has complete control over its supply chain. The emphasis on private labels, a strong customer loyalty program, and high-quality customer service with emphasis on a person-to-person relationship with each customer, differentiate the retailer from other competitors, and ensure not only repeat sales, but also a higher transaction size among its loyal patrons.

**Magazine Luiza**, a Brazilian consumer electronics and appliance store, targets low income consumers with installment payment plans and affordable credit rates. The retailer also provides services like personal loans and insurance policies that would be out of range for many of its target consumers.

### Strategy Formulation

Strategy making in retail organizations will adopt the steps discussed in previous chapter -11 and presented in Figure.

#### Strategy management process



### Mission and vision

Take the example of a produce store whose winning idea is “farm freshness”. The owner identifies two keys measures of her success: freshness and customer satisfaction. She creates her mission statement – which is the action goal that combines the winning idea and measures of success. The mission statement of Farm Fresh Produce is:

*“To become the number one produce store in Main Street by selling the highest quality, freshest farm produce, from farm to customer in under 24 hours on 75% of our range and with 98% customer satisfaction.”*

Once you’ve created your mission statement, move on to create your vision statement:

1. First identify your organization's mission. Then uncover the real, human value in that mission.
2. Next, identify what you, your customers and other stakeholders will value most about how your organization will achieve this mission. Distil these into the values that your organization has or should have.
3. Combine your mission and values, and polish the words until you have a vision statement inspiring enough to energize and motivate people inside and outside your organization.

Using the example mission statement developed for Farm Fresh Produce, the owner examines what she, her customers and her employees value about her mission.

The four most important things she identifies are: freshness, healthiness, tastiness and "local-ness" of the produce. Here's the Vision Statement she creates and shares with employees, customers and farmers alike:

*"We help the families of Main Town live happier and healthier lives by providing the freshest, tastiest and most nutritious local produce: From local farms to your table in under 24 hours."*

**Situation analysis:** The tool commonly used is SWOT along with PEST. For example consider SWOT of McDonald in India.

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>➤ Global brand with high equity</li> <li>➤ Items like Fries, Happy Meal, Big Mac, Egg McMuffin are popular</li> <li>➤ Excellent ambience</li> <li>➤ Convenient locations</li> </ul>	<ul style="list-style-type: none"> <li>➤ Weak product development</li> <li>➤ Disgruntled franchisees</li> <li>➤ Quality and taste of products limited to youth</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>➤ Only serving 1% of the world’s population</li> <li>➤ Growing dining-out market</li> <li>➤ Joint ventures with retailers (e.g. supermarkets).</li> <li>➤ Consolidation of retailers likely, so better locations for franchisees.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Strength of competition</li> <li>➤ More health-conscious consumers</li> <li>➤ Fluctuation of foreign exchange rates;</li> <li>➤ Recession or down turn in economy and less spending</li> </ul>

**Strategy Formulation**

The next step for retailers is identifying strategic options and evaluating them to make right choices. Consider the following cases to understand how retailers take options.

**CASE: Bata Revamp Strategy**

In 2001, Bata suffered financial losses due to labour unrest, growing competition from modern brands, and poor customer service. Bata has set in motion a 360 degree revamp operation driven by a strategy of focused marketing and segmentation. The strategy was designed to impact the customer in every income group through both innovative product development as well as fine-tuned distribution.

The series of steps taken included: importing high-end brands from bata’s international stable, launching a slew of locally designed footwear, revamping retail structure and a high-decible ad campaign.

**Location** - It reorganized retail efforts. Twenty flagship stores were demarcated in the metros as high-end ones, stocking international brands and imported products. About 80 city stores were located in metros/semi-metros. About 770 family stores were set up in medium and small towns. and 190 bazar stores were established as clearance ones.

**Merchandise** - It kicked off a campaign to launch new designs every week. It launched chiara, a bata international best-seller; power international, a high-end imported brand; and tino, a bata international design for men, the therapeutic Dr hawai and the handmade stitch top designed locally and bubble gummers is an international children's brand.

### **Nokia Revamps Its Retail Strategy**

In the context of the launch of the Nokia Lumia series of smart phones, Nokia India is revamping its retail strategy.

**Store image** – It is giving over 5,000 of its retail stores across the country a new look. The new elements in the store will include a strong visual experience with 3D and 2D in-store branding, a luminescent range of white furniture, and specialist field sales force, a press statement said. Also, Lumia consumers will get special benefits that include no queuing, free home delivery and expert guidance.

**Innovative product** - The Lumia range is Nokia's smartphone range based on Windows operating system and the first two models in the range are Nokia Lumia 800 and Nokia Lumia 710.

**Customer service** - "Consumer expectations are changing today. They look beyond just the device, are keen on trying out the services and content being offered on the device and they seek meaningful conversations and interactions with the store team," Mr T.S Sridhar, Vice-General Manager (South), Nokia India, said. Nokia CARE Experience Centres (NCEC) outlets have also been re-done to offer the Lumia experience to consumers..

**Experiences** - Ahead of the launch of Lumia, the company is rolling out a marketing campaign – 'The Amazing Everyday' for consumers across Bangalore. The 'amazing experiences' include impromptu flash cricket at selected public places offering a chance to play cricket with Indian and international cricketers and the Lumia Taxi. The Lumia Taxi will be seen on the streets of Bangalore and Chennai, offering passengers the choice of opting for an out-of-the-ordinary experience. The choice of experiences would include a 30-minute luxury helicopter flight over the city; parasailing a micro light flying session with a luxury sedan pick up and drop; a romantic dinner for two and a private party at the passenger's home.

## **Manufacturer Retail Strategy**

There are plenty of opportunities for small and medium enterprises (SMEs) to integrate their business operations forward and capitalise on the retail industry's exponential growth story. Such companies can take advantage of retail business in two ways:

- By identifying niche opportunities that can be grabbed through physical presence
- Through an online, virtual model that is less asset-intensive and will yield higher returns on capital invested.

Setting up retail outlets is one form of forward integration that gives a company access to additional customer touch points by way of product sales and after-sales service. Successful retail operations strengthen the company brand and enhance customer loyalty. In the Indian context, there have been several examples of SMEs who sensed a retail opportunity and came up with innovative business models that were eminently successful.

### **Format Choices**

For instance, a furniture company may choose a large warehouse, while a jewelry manufacturer may decide to sell only over the Internet. Other businesses may select a combination of a brick and mortar store for in person customer purchases plus a website for customer online shopping. All retail marketing strategy decisions should consider the target customer as well as the company's profit. For example, having an etail website rather than a retail store may save on overhead costs, but it won't be a profitable choice if the target customer isn't likely to shop online.

### **Physical Stores**

The Amalgamated Bean Coffee Trading Company (ABCTCL) today is more recognized by its chain of branded coffee outlets known as Café Coffee Day.

ABCTCL is an integrated coffee company in India with a presence across the entire value chain from plantations to retailing. The company

has about 5,000 acres of plantations spread over Chickmagalur, one of Karnataka's coffee-growing districts. The company started off as a grower and exporter of coffee beans and later forayed into retail operations. Today the highly popular Café Coffee Day chain has about 552 stores spread across 90 cities, that source coffee from its own plantations and as well as local suppliers.

A lower pricing strategy compared to competitors and the offer of an equivalent quality product combined with excellent service has made it the most successful coffee chain in India. This thriving forward integration has enabled Café Coffee Day to charge around ` 40 per cup of cappuccino against ` 4 worth of coffee bean ingredients. Entry into retail has resulted in a faster growth for ABCTCL vis-à-vis CCL Products, an exporter of coffee.

Kitchen appliances maker TTK Prestige operates Smart Kitchen showrooms across India. The company has expanded from 50 outlets in 27 cities in 2004-05 to about 200 outlets in 100 cities in 2006-07. The Smart Kitchen is a one-stop shop that show cases the entire range of Prestige kitchenware. Besides presenting the best and latest products from the Prestige staple to consumers, these showrooms use the ambience of a live kitchen with plush interiors to enhance the brand image. The company uses the retail chain to channelise TTK's new customer care tools such as Prestige Privilege Club (a loyalty programme) and Prestige Kitchen Care (a service programme).

Namdhari Fresh is a retail venture from the Namdhari Group, the largest Indian manufacturer of hybrid seeds. The unique value proposition of Namdhari Fresh is the supply of quality produce, the majority of which they grow organically. The freshness of the produce is achieved through use of superior cold storage systems that maintain temperatures of about 10 degrees in the room and the vegetable sales rack. This value proposition (freshness and superior quality) has helped Namdhari Fresh in commanding a price premium for its fruits and vegetables over regular markets.

Koutons is a leading apparel manufacturing company that has forward integrated into retail under the Koutons and Charlie Outlaw brands through a network of 1,147 exclusive brand outlets. The company

started as an apparel manufacturing unit in 1993 and started retailing operations only in 2002. What is unique to Koutons is that, while most Indian apparel manufacturers cum retailers sell through a mix of exclusive outlets, national chain stores and multi brand outlets, Koutons sells only through its exclusive outlets. This strategy has enabled them to focus on quality maintenance and customer satisfaction without any channel conflict. Not surprisingly, Koutons has grown faster than the Zodiac Clothing Company which retails mainly through multi-branded outlets.

Internationally, one of the best examples of forward integration into retail is the Apple store. Apple has built stores that offer a unique customer experience through innovative use of store design. The layout simulates the usage environment at a customer's home or office, and has less than 20 products on sale. Apple has done away with checkout counters and replaced them with wireless credit card readers carried by the salespeople who also handle payments. There is a strong service element within the store as well.

Every store has a Genius Bar, where trained and highly qualified personnel share insights, technical advice and technical support on different products. All these activities have resulted in the Apple stores grossing maximum annual sales per square feet in comparison to other retail stores like Best Buy, Circuit City, etc.

### **Online Retail Models**

In the US, online retailing has been adopted by an entire spectrum of categories ranging from low to medium customer involvement — such as, travel, books, event tickets — to the high involvement categories of jewellery and accessories. Through this format, companies can lower costs on real estate rentals, inventory and overheads to offer a price-sensitive value proposition to customers seeking alternate points of purchases.

Achieving this requires a thorough understanding of customer needs, their relative importance and an in-depth knowledge of the value chain to bring in supply chain efficiencies. This format also brings in the added advantage of convenience at points of purchase and delivery.

Expedia is the leading online travel agent in the US having an approximate 5 per cent share of the overall \$247 bn US travel market in 2007. Expedia has developed a niche for itself in the leisure segment of the market by offering customised vacations to price sensitive customers at cheaper rates than traditional travel agents. This has been done by strategic tie-ups with suppliers and leveraging economies of scale.

Little or no ownership of inventory (thanks to the reliance on strategic alliances / networks) and minimal physical presence have resulted in the achievement of margins of about 25 per cent which are way above the industry average of 10 –15 per cent.

Online models have also been successful in categories such as jewellery, that require high customer involvement and where a physical store model would have earlier seemed indispensable.

Blue Nile is a leading online seller of jewellery in the US. The company has adopted a virtual model in which it does not put any of its capital at risk and carries little inventory. It provides a shop window for suppliers and simply takes a cut when a transaction occurs. This model enables it to sell at 30-40 per cent below the price of a traditional jewellery store and 50 per cent below the high-end shops.

The key feature of Blue Nile is its focus on on-site consumer education via online tools like guides to diamond grading. Most of the diamonds sold on the site come with Gemological Institute of America or the American Gem Society Laboratories certifications and a 30-day return policy. This innovative business model has enabled Blue Nile to become one of the top ten specialty jewellery retailers in the US, confounding predictions that luxury and e-commerce would never mix.

Technology can be a key driver in online retailing. For example, Amazon, a leading online retailer of books, has launched a new service that allows customers to buy products and compare prices through their mobile phones, in addition to the internet.

In India retail boom is being driven by resurgence in the economy. Modern retail still has around 6% share of the total retail spend in the country, that is estimated at around US \$ 400 billion. Thus, the potential

for modern retail growth in India is huge. Currently, leading retailers in mature markets occupy the top three slots by turnover, employment and value creation. As the Indian economy matures, it is upon us to make the same happen in our country. A new normal is being defined in the Indian consumer market every day. With far-reaching socio-economic changes that India has undergone in the last decade, the drivers in urban and rural India are maturing fast. In this environment, how retailers are strategising? Here is an example of Future Group.

### Growth Strategies

Retailer’s growth strategies are based on opportunities that are unfolding in the environment. Here we will look at two case studies to understand how growth strategies are evolved.

Igor Ansoff developed a matrix with focus on formats and markets. Figure presents the model with four strategic options.

**Ansoff Market grid**

	Existing market	New market
Existing format	<b>Market penetration</b> (increase the basket size, purchase frequency and number of customers)	<b>Market development</b> New market segments or new customer base
New format	<b>Retail format development</b> New format for existing customers	<b>Diversification</b> New retail formats directed at new market segments

### Summary

Organized retailing is expanding in India. The retail companies are looking for ways to build strategic advantage that is not easily copied and can be maintained over a long time. Retailers should not rely on a single approach to gain a sustainable competitive advantage. There are seven opportunities and they are: (1) customer loyalty, (2) location, (3) human resource management, (4) distribution and information systems, (5) unique merchandise, (6) vendor relations, and (7) customer service.

Strategy making begins with statement of Mission and vision. First identify your organization's mission. Then uncover the real, human value in that mission. Next, identify what you, your customers and other stakeholders will value most and develop a crisp statement of vision. The tool commonly used is SWOT along with PEST. The next step for retailers is identifying strategic options and evaluating them to make right choices.

There are plenty of opportunities for small and medium enterprises (SMEs) to integrate their business operations forward and capitalise on the retail industry's exponential growth story. Such companies can take advantage of retail business in two ways: (i) By identifying niche opportunities that can be grabbed through physical presence and (ii)

Through an online, virtual model that is less asset-intensive and will yield higher returns on capital invested. Retailer's growth strategies are based on opportunities that are unfolding in the environment. Igor Ansoff developed a matrix with focus on formats and markets. It presents four strategic options: Market penetration, Market development, retail format development and diversification.

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## Lesson 5.2 - Mergers, Acquisitions and Alliances

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### Learning Objectives

*After studying the lesson you will be able to:*

- Know the different routes to growth of organizations.
- Explain the concept of mergers, acquisitions and alliances
- Understand the use of the growth strategies through the above routes.

### Introduction

Overall given the favorable macro economic drivers, modern trade will continue to be a fast growing sector in India. The weaker business models will survive only in buoyant economic conditions or in the absence of serious competition. In a tougher business scenario, retailers would need to follow a studied approach for business expansion and avoid bypassing retailing principles in going after scale. Retailers are revamping their organizations and strategies, as well as looking for external growth processes like takeovers or forming alliances.

### Growth Strategies

PwC Canada's Retail consulting services conducted a study of 21 CEOs of North American chain retailers in specialty stores( including department stores, jewellery, apparel, footwear etc.) and to identify the growth strategies preferred by them. The findings are given in Table. The highlights are:

- One hundred percent of the respondents believed that the real game changer is the move to seamless multi –channel integration that includes e-commerce, brick and mortar, m-commerce and social media.

- Organic growth strategies preferred by the respondents included: international expansion, e-commerce solutions, product and price innovations centered on private labels, and exclusive collections.
- In organic growth is considered as an opportunity. About 19% of the respondent CEOs considered mergers and acquisitions as an important route to grow. Another 19% view it somewhat important and are willing to consider when time comes for that.

Plan	Response categories (%)		
	Likely will	Somewhat likely will	Not likely
Go for international expansion	57	10	33
New stores, new concepts or renovations	76	19	5
Introduce new brands	38	24	38
Adopt E-commerce	90	5	5
Make use of social networks	62	28	10
Employ traditional media	29	19	52
Introduce additional merchandise categories	50	25	25
Introduce private labels or exclusive collections	70	20	10
Offer high margin category lines	38	48	14

#### Growth plans of CEOs

*Source:* Ring the register: Key growth strategies for retail CEOs, [www.pwc.com/en\\_ca/ca/retail.../retail-ceo-survey-2011-12-en.pdf](http://www.pwc.com/en_ca/ca/retail.../retail-ceo-survey-2011-12-en.pdf)

#### Indian Context

Retailing accounts for 14 to 15 percent of India's GDP. The Indian retail market is estimated to be US \$450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail market in the world, with 1.2 billion people.

India's retailing industry is essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues to hold on retail reforms for multi-brand stores. This has delayed entry of single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

Table presents the entry routes for MNCs to start business in India. We will discuss them elaborately in the following pages.

#### Entry options in India

Route	Example
Franchise agreements	Most preferred route for many MNCs. Domino Pizza entered through Master franchise route where as Pizza Hut entered through regional franchisee.
Cash and carry wholesale trading	100% FDI allowed in wholesale trading which involves building of large scale distribution infrastructure for assisting local manufacturers. The wholesaler deals with small retailers and not consumers. Metro AG of Germany was the first significant player to enter through this route.
Strategic licensing arrangements	Foreign company enters into a licensing agreement with a local retailer. Mango the Spanish brand of apparel entered in this route in an agreement with Pyramid, Mumbai. SPAR entered with an agreement with Radhkrishna Foodlands Pvt. Ltd.

Route	Example
FDI in single brand with 30% sourcing locally.	Swedish retailer IKEA, the world's largest furniture maker is investing 1.5 billion euros to open 25 stores in India.

### Direct investment

Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets. While most have identified a gap in countries in West Asia and Africa, some majors are also looking at the US and Europe. Arvind Brands, Madura Garments, Spykar Lifestyle and Royal Classic Polo are busy chalking out foreign expansion plans through the distribution route and standalone stores as well. Another denim wear brand, Spykar, which is now moving towards becoming a casual wear lifestyle brand, has launched its store in Melbourne.

**Franchising /licensing** - As Anupam Bansal, MD, Liberty says, “Franchising is a great model to work upon and developing countries have lot of entrepreneurs thereby creating enough vacuum for the franchisors to opt for this lucrative business expansion model.” The well established Indian retailers like Reliance, ITC Limited, Arvind Limited, Dabur and many more are rapidly taking up the franchise route to make significant investments in the retail industry, thereby leading to the emergence of successful franchisees.

Today, entrepreneurs prefer taking up a franchise retail business over a kirana store. Supporting this, Pawan Gadia, CEO, Ferns N Petals says, “We never planned to franchise our business. We started expanding through the company owned outlets. But when people started approaching us with the idea to start a similar business with similar kind of layouts and infrastructure, then we thought of taking the franchise route.”

Dabur, Blue Mango, VESAG, LUXUS India Pvt. Ltd, and many more have started weighing their options to expand their presence across the nation via franchise route, thus contributing to the immense growth of franchising in retail industry.

## Mergers, Acquisitions and Alliances

Mergers, acquisitions and alliances are all equally powerful corporate growth strategies available for companies. There is confusion in the use of the three terms- Mergers, acquisitions and alliances. Let us first conceptualize these terminologies.

**Merger:** A merger refers to a process in which two companies become one by coming together. In such a case, no one company rules over the other. Usually the management of both companies shares the control of the resultant company and names of both companies are retained for the resulting companies. There are many high profile examples of mergers

Glaxo	SmithKline	GlaxoSmithKline
Hero motors	Honda motors	Hero Honda
Sony	Ericsson	SonyEricsson

In each of these cases, names of both companies were retained in order to leverage the equity of both brand names. Therefore simply put, mergers create a new organization out of two or more organizations of more or less equal stature, pooling all resources.

**Acquisition:** Acquisitions on the other hand refer to processes in which one company buys the other company. In such a situation the buying company absorbs the bought company into the existing company.

- News Corp Inc acquired MySpace, the leading online networking site with an estimated 100 million registered users to expand the corporate portfolio.
- Vodafone Group plc, the world's largest mobile communications network company acquired a 67% stake in Essar Hutchison.
- Shoppers Stop Ltd has informed BSE that the Company has acquired 49% of Share Capital of Gateway Multichannel Retail (India) Limited (Gateway) from Hypercity Retail (India) Limited. With the said acquisition Gateway, has become 100% subsidiary of the Company with effect from November 14 2011.

**Alliance:** Alliance is an approach in which two or more companies agree to pool their resources together to form a combined force in the marketplace.

- Unlike a merger, an alliance does not involve the emergence of a new combined entity.
- Each participant in the alliance retains their individual entity but choose to compete against competitors as a unified business force.
- Joint venture is a very popular form of an alliance.

The world's largest retailer Wal-Mart entered into a joint venture with India's Bharti Enterprises to get a toe hold in the booming Indian retail market. This move was the only way Wal-Mart could have entered the Indian market as regulatory restrictions prohibit a full owned foreign retail chain to operate in the Indian market. As such, this joint venture was a market entry strategy for Wal-Mart.

Consider another example - Costa Coffee, the leading coffee brand across the UK and Western Europe. This brand entered the Chinese market recently with a joint venture with the Yueda Group based in Jiangsu Province in China. This was not because of any regulatory restrictions but more because of its need to learn about an alien market and get a foot hold.

Pantaloon Retail India Ltd has entered into a 50:50 joint venture (JV) with Axiom Telecom LLC, UAE, to do sourcing and wholesale distribution of mobile handsets, accessories and setting up service centres and Authorised After Sales Service Centres for mobile handsets in India.

Alliances are less risky than acquisitions because they are negotiable, co-operative and easier to walk away from. They bring two firms together with mutual interests but different strengths to work on particular projects that offer benefit to both.

### **Choice Factors**

The selection of any single approach depends on both internal and external factors. Given the many successes and failures alike experienced by companies worldwide, it would be advisable for companies to primarily

understand the strategic implications of each approach and then to diligently evaluate each approach in light of the situation in which they are functioning.

### **Level of Competition in the Market**

One of the fundamental reasons that companies engage in either M&A or an alliance is to tackle competition in any market. Companies around the world have come to believe that consolidation with a market would allow them proportionate market presence and power to claim the leadership position.

Further, with immense pressure on companies to cut costs and post profits, acquisitions offer a channel to increase scale and leverage the sheer size of the resulting organization. As such, depending on how competitive the market is in any particular sector, companies will have to decide between the three options.

Airline industry in the US is one of the most competitive industries. As such, companies have resorted to intense acquisition as consolidation reduces costs, increase occupancy rates, and enhances the underlying profitability. On the contrary, consumer electronics is an industry where due to the highly specialized nature of work, companies prefer collaboration or alliances. Therefore a Samsung works with Sony, a Sony works with Ericsson, Intel works with IBM and so on. These strategic alliances allow companies to leverage each others core competencies.

### **Barriers to Entry**

M&A are usually resorted to either for increasing scale or cutting costs and alliances are preferred to enter new markets or segments. As such, one of the important factors which should be considered is the level of barriers present for entering a new market. Some markets are characterized by high barriers to entry such as regulatory constraints, established competitors, highly volatile markets that does not justify initial entry investments and so on. In such cases, alliances are the preferred option as they allow companies to leverage the existing knowledge and resources through collaboration. On the other hand, where barriers to entry are low, companies can gain a very strong foot hold in the market either through mergers or through acquisitions.

## Synergies and Resources

Along with the previous two factors, synergies and resources are equally important in deciding among the three options available to companies. Mergers and alliances between companies have been proven to work efficiently if there is a high level of synergy between companies that come together. Synergies can be in the corporate culture, product portfolio, strategic goals, and supply chain or logistic systems. When such synergies exist, companies can productively implement the purpose of a merger or an alliance. Similarly, for an acquisition option, an important factor is the availability of financial resources. As acquisitions take place at prices much higher than the book values of the companies being acquired, acquiring companies should possess or have access to considerable resources.

## Summary

Retailers are revamping their organizations and strategies, as well as looking for external growth processes like takeovers or forming alliances. Organic growth strategies included: international expansion, e-commerce solutions, product and price innovations centered on private labels, and exclusive collections and in organic growth through mergers and acquisitions are considered important routes to grow. The entry routes for MNCs to start business in India are limited to Franchise agreements, Cash and carry wholesale trading, Strategic licensing and FDI in single brand with 30% sourcing locally

Mergers, acquisitions and alliances are viewed as powerful corporate growth strategies available for companies. A merger refers to a process in which two companies become one by coming together. Names of both companies were retained in order to leverage the equity of both brand names. Acquisitions on the other hand refer to processes in which one company buys the other company. In such a situation the buying company absorbs the bought company into the existing company. Alliance is an approach in which two or more companies agree to pool their resources together to form a combined force in the marketplace.

The selection of any single approach depends on both internal and external factors such as: Level of competition in the market, barriers to entry and synergies and resources.

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## Lesson 5.3 - Organisation Structure and Design

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### Learning Objectives

*After studying the lesson you will be able to:*

- Explain the major functions in a retail store
- Know the differences between line and staff positions in organization charts.
- Identify the different types of organizational structures presently used by retailers.
- Appreciate the importance of decentralization in organizational design
- Understand the impact of technology on stores organization

### Introduction

Organization structure facilitates role clarity and goal achievement by people employed by the retail business unit. As the store grows and the retail business evolves, the dynamics of the organization's structure will change too. Therefore it is paramount to redesign the store's organizational chart to support the decision-making, collaboration and leadership capabilities that are essential during and after a growth period. In this age of technology, firms are relying on technologies. For instance, if you have an e-commerce operation (or really any sort of transaction website), you are a consumer technology company. The sooner we recognize and accept this fact, the sooner we can get on with leveraging it to our competitive advantage.

### Stores Functions

Management of stores involves several activities. A store is primarily a trade point and hence involves three major functions- buying, selling and accounting. As the size of stores grows, other functions will be added.

The owner stores manager is replaced by a team of stores management. The following is a brief outline of some of the positions and departments in a retail organization.

- Strategic management- Owner/CEO or President
- Store Operations: Management, Cashier, Sales, Receiving, Loss Prevention
- Merchandising: Planning, Buying, Inventory Control
- Marketing: Visual Displays, Public Relations, Promotions
- Human Relations: Personnel, Training
- Finance: Accounting, Credit
- Technology: Information Technology

### **Store Management**

With department stores expanding through the opening of fullline branches and specialized units, the need for in-house managers continues to grow. The store management division is charged with overseeing the managerial positions and carrying out the practices that were established by the company's upper-level executives. Some of its responsibilities include:

- Selecting the individual stores' managers, group managers, and department managers.
- Determining the appropriate hours of operation for the flagship and branch stores.
- Interfacing with the stores' managers to notify them of changes in corporate policies.
- Supervising the store's customer service procedures is also a part of the manager's day-to-day activities, and he may frequently have to intervene to solve complex customer issues or resolve disputes between customers and store service personnel.
- Managers are held accountable for the store's profitability, so they must develop and implement cost-cutting measures to minimize expenses

- If a retail store is part of a chain or franchise instead of independently owned, a major function of the store manager is to ensure compliance. Decisions regarding areas such as merchandising and promotions are determined by higher levels of management, so the store manager's role is to execute company strategy in these areas.

### **Store Operations**

The management of the store's physical operations are under the jurisdiction of the store operations division, developed by the company's top management team. It then carries out the specific tasks and responsibilities to which it has been assigned. These include:

1. Maintaining the physical plant
2. Managing the security of the facility and protecting the merchandise from being stolen by shoplifters and employees.
3. Purchasing supplies that are used to run the stores such as light bulbs, cleaning compounds, and office materials
4. Managing the receipt of incoming merchandise and the functions used in marking and ticketing.

### **Merchandising**

While each division is important to the overall success of the organization, the merchandising division is considered by most industry professionals to be the lifeblood of the retail operation. Merchandise planning and procurement takes a considerable amount of time and employs a variety of different line executives as well as staff positions such as fashion directors.

The activities for which they are responsible are:

- Purchasing merchandise from varied sources – domestic and foreign.
- Determining the product mixes not only for the brick-and-mortar operations but also for the off-site divisions such as the catalogs and Internet Web sites. Since the off-site operations generally have no

geographical boundaries, the items sold through these outlets are often different from those found in the stores.

- Developing private brands and labels for their company's exclusive use.
- Determining the appropriate product mix in terms of price points that will best serve the needs of customers.
- Pricing the merchandise in a manner that provides the profitability necessary for the company to remain a viable business enterprise, while staying competitive with the prices of other retailers.
- Establishing the proper rapport with vendors that assures the best possible buying terms, such as getting discounts, prompt delivery, accepting returns, and so on, to maximize profitability.
- Obtaining the highest vendor allowances for advertising and promotional purposes that will help deliver their company's message to the consumer at a minimum of company expense.
- Interacting with industry experts such as resident buyers and market consultants who provide information on color, fabric, style, and other fashion trend

## **Promotions**

Sales promotions also enable the trade to offer temporary displays of the products, price cuts and/or free advertising, which could result in more sales. These activities could help customers take notice of otherwise unnecessary products.

## **Human Resources**

All of the activities that relate to the company's personnel, such as recruitment, training, and labor relations, are in the domain of the human resources division. Its decision making is extremely important to the proper functioning of the company, and its duties and responsibilities include:

1. Establishing the job specifications of the various positions in the company so that the right person will be hired to perform the specific job.

2. Developing recruitment programs that will attract the best-qualified candidates for employment.
3. Training new employees and retraining those already employed with the latest in-house systems.
4. Designing benefits packages that will be competitive with other companies in the industry.
5. Evaluating employee performance.
6. Establishing compensation programs that will attract the best employees.
7. Participating in labor relations between management and rank-and-file employees.

### **Sales**

Salesman sells and tickets merchandise. Follows up on special orders and assists manager in invoice checking.

### **Structure Concept and Design**

Organizational structure is the end result of the process of organizational design. In other words, organizational design is the process of structuring or restructuring an organization.

There are many definitions of organizational structure.

Organizational structure defines how work or tasks are organized and allocated. Structure can be used to standardize work or to create specialized functions.

Organizational structure defines positions in the organization and the relationship between these positions. In so doing, organizational structure defines particular position of the decision making and authority in organizations.

Organizational structure creates a framework for order and for the coordination of the myriad of tasks that are carried out in the organization

Organizational structure is a vehicle through which managers can plan, organize, direct and control the activities in the organization.

**Based on the above definitions, we can summarize as follows:**

An organizational structure is a framework within which task allocation, coordination and supervision, are designed and directed towards the achievement of organizational goals.

It helps people understand their positions and roles, about other positions and roles as well as relationships between organization and its environment. Organizational structure outlines different functions and processes and sets up different entities such as the branch, department, workgroup and individual.

In order to design an organization, three types of analysis are necessary.

- **Tasks analysis-** Start by specifying all tasks that need to be performed. Group and classify each task into a job with a title and description. Then assign the jobs to different positions.
- **Decisions analysis-** Each job or position consists of three things: activities (duties), authorities (power) and accountability (responsibilities). Based on the authority needed for a job, classify jobs as superior and subordinate positions.
- **Relations analysis-** Place the jobs in a hierarchical order in vertical levels and establish the authority –responsibility relationships. It makes clear to a position –to whom to report and from whom orders are to be taken.

### **Structures Vary**

As the structure of an organization is based on the tasks and operational styles depending on the objectives, we find different types of organization structures. The organizational structure of a retail store will vary by the size and type of the business.

Traditional retail formats especially the unorganized ones were dependent on trader and his family members. Table shows the traditional ones.

### Traditional retail outlets

<b>Format</b>	<b>Definition</b>	<b>Value position</b>	<b>Examples</b>
Counter stores	Food. Family run stores, selling essentially food items.	High service- Low price	Kirana stores
Kiosks	Pavement stalls selling limited variety of food and beverages	High service	Paan shops
Street markets	Regular markets held at fixed centre retailing food and general merchandise items	Large selection- Low price	Village Haats
Street vendors	Mobile retailers essentially selling perishable food items – fruits, vegetables, milk, eggs, etc.	High service	Vegetable vendors

Formal organizations are established by modern retail stores and chains. Most tasks involved with operating a modern retail business are the same. However, small or independent retail stores may combine many functions, while larger stores create various functions along with many layers of management. As small companies develop into larger ones, and as the giants expand their operations globally, their organizational structures must be adapted to fit their latest needs. Table presents the modern retail forms, which require systematic approach to organizational design.

### Modern retail outlets

<b>Format</b>	<b>Definition</b>	<b>Value position</b>	<b>Examples</b>
Specialty stores	Deep assortment within a narrow line of goods like furniture, florists, sporting-goods, and books.	Service	Planet Sports, Vijay Sales, Planet M, Music world, Cross-word, etc.
Department stores	Multiple product categories, usually lifestyle driven with apparel/ accessories dominating.	Service and choice	Pantaloons', Shoppers' Stop, Westside, and Lifestyle

<b>Format</b>	<b>Definition</b>	<b>Value position</b>	<b>Examples</b>
Supermarket/ Convenience stores	Food and household products.	Convenience	Food Bazaar, Nilgiris, Food World, Apna Bazaar, Trinethra etc.
Hypermarkets/ Discount Stores	Large stores in big box format, with volume based discounted prices	Price and choice	Big Bazaar, Spencers, Star India Bazaar
Seamless Mall	Apparel, Accessories, Lifestyle products, entertainment	Convenience, service and choice	Central

The concept of seamless mall is relatively new to India and Central is a pioneer of this format. The design of the mall does away with in-between walls and Shop-in-Shops thus offering customers unobstructed shopping experience.

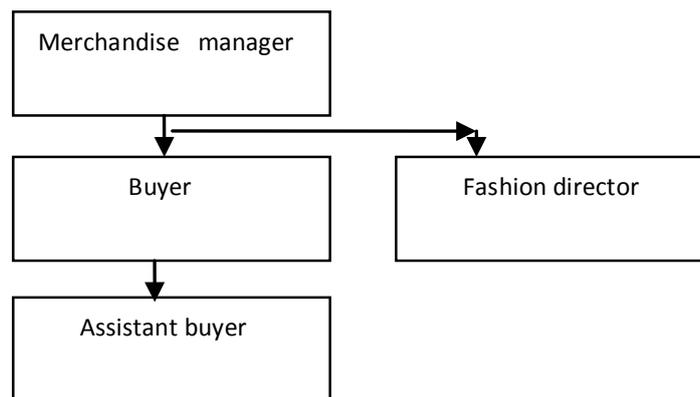
### **Line and Staff Functions**

In every organization we find two types of positions –line and staff.

**Line functions-** Line positions are in the chain of command having authority to make decisions that are key to the operations and success. Those who hold these positions are company directly involved in producing results for the company. For example, in the chart in Figure, the assistant buyer communicates only with the buyer, the immediate supervisor, and not with the merchandise manager (MM). Only the buyer has the authority to deal directly with the MM. It is only appropriate to deal with someone in higher authority if one's immediate supervisor permits it. Of course, in some organizations, an informal structure might exist that enables some people to communicate with others out of the formal order.

**Staff functions-**As organizations grow larger, they need for advisory or support positions, technically classified as staff positions.

They are specialists within the organization who work at the behest of the line people to whom they report. An example of this type of relationship is depicted in Figure. In this example, the merchandise manager (MM), is a line executive who heads the merchandising division. The fashion director is in a staff position and advises and makes suggestions to the MM on areas such as fashion trends, fabric preferences, and color forecasts but does not have any decision-making powers on the actual merchandizing selections.



**Line and staff functions**

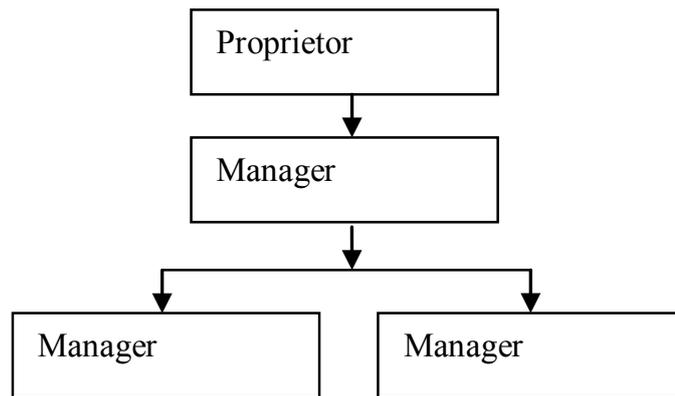
### **Types of Structures**

We find different types of structures in use in retailing. They include:

- Line organization
- Functional organization
- Product /trade based organization
- Divisional organization

### **Line Organization**

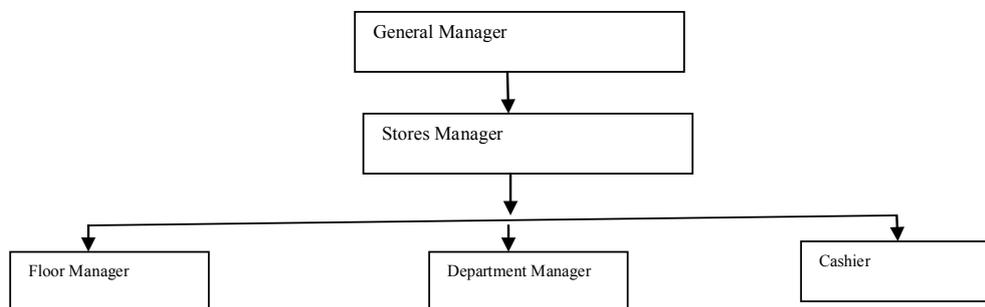
This is the simplest form of organization structure. The line structure is based on the scalar principle, which states that authority and responsibility should flow in a direct line vertically from the highest level of the organization to the lowest level. The primary emphasis in the line organization is upon the superior-subordinate relationship. A sole proprietor will adopt this type of organization. Small size restaurants, kirana, fancy and medical shops, for example will be run by the owner. He or she is assisted by either family members or employees. Figure shows the organization chart.



**Line organization of a retail outlet**

### **Functional Organization**

Most business organizations, except the very small, have this type of structure. It suits best to medium and large organizations selling more products and where the goals of the organization emphasize functional specialization, efficiency and quality. Figure shows a typical functional structure.



**Functional organization of a retail outlet**

### **Product /Trade Based Organisation**

This form of organization structure is adopted by retail organizations selling a wide range of products.

A departmental store is a large-scale retail organization having a number of departments under one roof. Each department specializes in one particular kind of trade. All these departments are centrally organized and are under one united management and control. The basic objective of a departmental store is to provide a large variety of merchandise from a pin to an aero plane at one place.

The super market is a large-scale retail institution specializing in necessities and convenience goods. They have huge premises and generally deal in food and non-food articles. It may stock: groceries, vegetables, dairy products, ready to eat products and drinks and fancy items.

The breaking down of a retail store into departments can have a number of benefits to the retail operation.

- Helps organize and manage your store's inventories more effectively.
- Contributes significantly to the overall profitability of the store.

The following are suggestions on the basic steps that could be followed in organizing a retail store by departments:

- Categorize the merchandise into groupings of "Like" kinds of merchandise. Examples of this could include grouping all giftware together, all housewares together, all food related products together, etc.
- Assign a stock number to each item in the store which would follow some logical sequence and then be recorded to avoid potential duplication.
- Ticket all merchandise to include all or part of the following: department numbers; a stock aging number/letter to help you to know when the stock came into the store; retail price; and other suggested coding/combinations could be: supplier, style, size and colour, cost stock keeping unit (S.K.U. number).
- Set up the cash register to record sales based on the department breakdown.
- Set the record keeping up to match to the departments.
- Merchandise the sales floor to the departments.
- Plan and analyze sales and purchases to the departments.

The breaking down of a store into departments should be done keeping in mind the management ability and efficiency. Do not break them down to levels so small that they do not make sense; ensure that the work, cost and time in managing this system is not greater than the benefits you want from it;

- Break the groupings down to the level that relevant information is provided to you on their individual department performances;
- Ensure your cash register (point of sale) and your record keeping system management information system or M.I.S) have the ability to handle these department information breakdowns; and
- Ensure all staff members are aware of what you are doing and the importance of it.

### **Divisional Structure**

These types of organizations divide the retailing organization into divisions. Each division is equipped with its own resources in order to function independently. There can be many bases to define divisions. Divisions can be defined based on the geographical basis, products / services basis, or any other measurement. Multiple Shops or Chain Stores is an example of this. A multiple shop system is a network of branch shops, situated at different localities in the city or in different parts of the country, under a centralized management and dealing in similar lines of goods.

The retail corporation may be hierarchically divided into four levels as given under.

Level 1: Corporate Management - Corporate policy including decisions about future growth

Level 2: General Chain Management- Policies involving the joint management of chains (e.g. chain concepts, centralized purchasing, site portfolios, management

Level 3: Chain Management - Chain management, retailer and site portfolio decisions, implementing coordination and incentive systems, developing chain concept, and store concepts including assortment decisions.

Level 4: Store Management - Managing a single store, personnel management, customer care, fine-tuning the store concept in local competition.

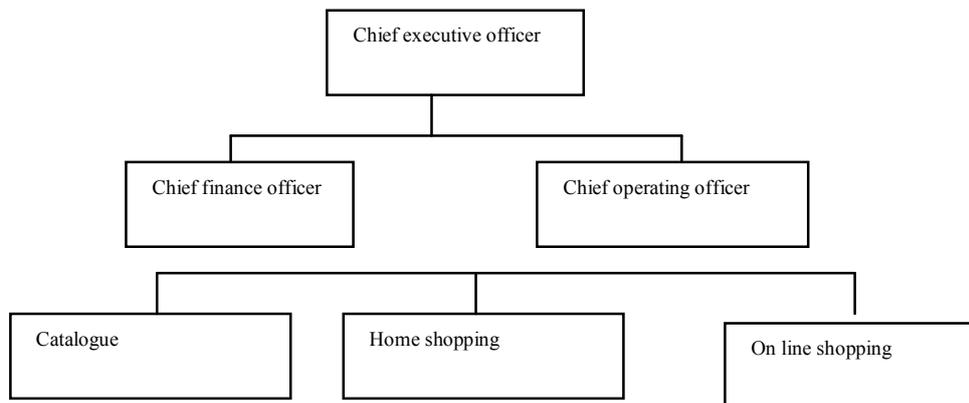
## Technology Based Structures

Many retail catalogers, for example, have opted to add Internet Web sites as a means of attracting and retaining customers. Figure presents the multi-channel organizations.

- Catalogs- Unlike brick-and-mortar retailers, the catalog companies sell merchandise primarily through the pages of their “books,” though they are using on-line Web sites more and more.
- Internet web site organizations- Web sites with fashion orientations limit themselves to the Internet to reach potential customers. Their organization charts, like their cataloger counterparts, deal primarily with product acquisition, visual presentation, warehousing, transportation, and customer services.
- Home shopping organizations- The main distribution channel for the home shopping shows is on cable television. Most, however, have expanded their operations to include direct marketing through the Internet. In this way, they are able to appeal to the vast array of potential customers who shy away from on-site purchasing and prefer to make their purchases either by ordering goods that they see on products-oriented television programs or the Internet.
- Vending machines - The vending machine is operated by inserting a coin and the buyer can get the articles. Vending machines are usually acquired to sell articles like cigarettes, soft drinks, chocolates, candles etc. Railway platform and bus tickets are also sold by this method. The articles sold by a vending machine are pre-packed and labeled and are usually of reputed brands. The goods should be uniform in size and shape and less bulky in weight. The installation of such machines is an expensive affair and it needs regular maintenance also. Such machines are quite attractive in appearance and installed at busy shopping centres.

Amazon is referred to as a “technology company”. While Amazon does generate some revenue from selling technology services, the vast majority of their revenue comes from retailing products online. Technology is part of their core business.

Websites are an opportunity to differentiate from competitors, particularly if retailers are not selling proprietary products. If consumers can buy the same North Face jacket or Nikon camera from a variety of different retailers online, the quality of the online experience will be a contributing factor in the decision. The technology strategy and the business strategy need to be not only aligned, but integrated.



### Multi channel organizations

### Centralization vs Decentralization

Large chain organizations like Gap, which operates many different retail concepts such as Gap Kids, Baby Gap, Banana Republic, and Old Navy and traditional stores, such as Wal-Mart and SteinMart do have large number of units. These organizations have two options in designing authority structures: centralization vs decentralization.

- **Centralization-** Their success is generally attributed to their centralized organizational structure that involves management from a home base or company headquarters. Typically, decisions made at top level include buying and merchandising, advertising and promotion, warehousing, product development, human resources, accounting, purchasing of supplies, real estate development, and marketing research.
- **Decentralization-** In some organizations, decentralization is found in case of regional warehousing, which allows for shipments to stores to be accomplished in less time. In companies such as J.C. Penney, for example, some of the merchandising decisions are decentralized and left in the hands of the store managers and their in-store team. In this case, merchandise planning and procurement

arrangements are left to the central buying team, which prepares “catalogs” of available products that store managers select from to develop their own merchandise mixes. In this way, each store in the chain can tailor the assortment to fit the needs of the individual trading areas.

### **Summary**

Organization structure facilitates role clarity and goal achievement by people employed by the retail business unit. The positions and departments in a retail organization are: Strategic management- Owner/ CEO or President; Store Operations: Management, Cashier, Sales, Receiving, Loss Prevention; Merchandising: Planning, Buying, Inventory Control; Marketing: Visual Displays, Public Relations, Promotions; Human Relations: Personnel, Training; Finance: Accounting, Credit; and Technology: Information Technology.

Organizational structure is the end result of the process of organizational design and defines how work or tasks are organized and allocated. It involves three types of analysis –tasks, decisions and relations.

As the structure of an organization is based on the tasks and operational styles depending on the objectives, we find different types of organization structures. The organizational structure of a retail store will vary by the size and type of the business. Different structures include - Line organization, Functional organization, Product /trade based organization and Divisional organization

Many retail catalogers, for example, have opted to add Internet Web sites as a means of attracting and retaining customers. They evolved into multi-channel organizations using catalogs, internet web home shopping and vending machines. Large chain organizations like Gap, and Wal-Mart have two options in designing authority structures: centralization vs decentralization. They make right combination of the two for success.

## Self Assessment Questions

1. Explain the concept of retail strategy
2. What are the seven areas where competitive advantage can be built?
3. How do you define mission and vision for a retail organization?
4. How is SWOT conducted for a retail stores?
5. How is PEST analysis is made for a retail chain?
6. Explain strategic management of two retail organizations
7. Discuss growth strategies for two retail organizations.
8. What are the growth strategies of organizations?
9. Explain the entry strategy of Walmart and Carrerfour
10. Identify the growth strategy of Reliance retail.
11. Trace the use of mergers, acquisitions and alliances during the last three years in retail sector in India.
12. Explain the concept of organization.
13. Identify the key elements in organization design.
14. What are the different types of organization structures?
15. Why doesn't a small fashion retail operation, such as a boutique, use staff positions in its organizational structures?
16. When is decentralization beneficial to organizations?
17. Explain the organization of multichannel retailers.

### CASE STUDY

#### Future Group: Retail Pure Play

With a growth strategy tempered with localization and an inclusive business model, Future Group is the only pure play local retailer poised to lead India's consumption story with sustainable value creation. Our multi-format retail strategy captures almost the entire consumption basket of Indian customers. As modern retail drives new demand, efficiency and consumption in new categories, our strategy is based on our deep understanding of Indian consumers. We understand the varied buying

behaviour of the Indian consumer across regional ethnicities and are constantly innovating to craft strategies that address the subtle differences.

Future Group's strategy is aimed at achieving inclusive, sustained and profitable growth with three levers.

1. Customer orientation - The bottom line in each of our retail success stories is "know your customer". Insights into the soul of Indian consumers - how they operate, think, dream and live - helps us innovate and create differentiating functionality.
2. Continuous innovation - As India's largest retailer, we understand the importance of innovation. We rethink strategies and realign businesses with increasing agility to provide diverse customer groups with refreshingly different retail experiences
3. Collaborative transformation- Creating a collaborative environment combining our strengths with our suppliers and vendors helps us create immense value for our customers which in turn fosters mutual growth.

We believe that modern Indian retail rests on the strength of two pillars – scale and efficiencies. As front-runners in both areas, we firmly believe our core responsibility lies in providing protection to customers from the overall rate of inflation. While the scale and size of our operations helps us improve efficiencies, it also ensures we deliver greater value to our customers.

Our retail thrust is focussed on four principal verticals of Food, Fashion, General Merchandise and Home. These four categories together account for nearly 65% of the consumption in the country and represent mass consumer aspirations. Acknowledging this, we are creating retail pure play through divestment and demerger of non-retail businesses to concentrate our efforts on these verticals.

## **CASE STUDY**

### **Adidas Group Retail Strategy**

Our Retail segment's strategic vision is to become one of the top retailers in the world by delivering healthy, sustainable growth with improved return on investment. Retail plays an important role for the growth of our Group and our brands.

The reasons are manifold (i) As a place to showcase the breadth of our brands (i.e. concept stores), (ii) To create distribution in markets which do not have traditional wholesale structures, (iii) The share of selling space via wholesale is in decline due to industry consolidation, (iv) Everything we learn in own retail benefits the rest of the organization and (v) Need for a clearance channel (i.e. factory outlets).

Over the past five years, the adidas Group has evolved into a significant retailer, operating 2,270 stores for the adidas and Reebok brands worldwide.

### **Store Chain**

Going forward, we have simplified the shape of our store chain, by clustering it into three different formats, namely brand centres, core stores and factory outlets.

- Brand centres, i.e. large stores carrying the full range of each of our adidas sub-brands under one roof, are the bold and powerful statements about their strength, breadth and depth. This format will be kept to a limited number and only in exclusive locations.
- Core stores are the commercial engine for sales and profit across the Group's retail organisation, upholding and accentuating each brand's reputation. There will be adidas brand core stores, Originals core stores and Reebok core stores and, depending on their size, they will be categorised and clustered into A, B or C.
- Our factory outlets will facilitate the controlled sale of excess stock returned from our wholesale key and field accounts, franchise partners, e-commerce as well as own-retail stores. Through improved management of regional inventory and limited planned production, we want to improve and balance our product offering and therefore further increase our profitability.

### **Leadership Team**

In light of the increase in importance of retail to the Group's performance, a new central leadership team was established in 2009. This team is mandated to develop a global strategic framework and guidelines,

represent retail store and market needs on a global level, and to act as a catalyst to drive commercial performance for the adidas and Reebok retail operations around the globe.

### **Strategic Pillars**

To become a world-class retailer, four strategic pillars have been defined:

1. Focus on the consumer
2. Achieve operational excellence
3. Exploit portfolio of brands
4. Leverage our global presence and scale.

### **Expansion Plan**

By focusing on these four strategic pillars, we are confident to become one of the top retailers in the world. In line with our strategic business plan Route 2015, we will further invest in our own-retail activities and will open over 500 stores by 2015 across the existing store formats.

The majority of these store openings are planned in the emerging markets, particularly Russia. Another area of focus will be the further roll-out of Originals core stores to increase the number of distribution points for our apparel collection, and the implementation of the new vertical business model for the adidas NEO label see Global Brands Strategy.

To execute on these pillars, Retail has set its strategic priorities around improving its delivery on the “Five P’s”: People, Product, Premises, Processes and Profit.

### **People**

The consumer and our employees are the primary reference points in order to be successful. Retail constantly strives to interpret and adapt to consumer demand, targeting a mix of new and loyal consumers, whether it be sports-active, sports-inspired or casual consumers. To make sure that consumer needs are being met, Retail will set up organisational teams

and recruit store staff that are highly engaged and commercially- and consumer-minded. We want to build a retail back office and field workforce that thinks and “trades” like a vertical retailer and whose highest priority is to serve the consumer. To achieve this, in 2010,

Retail introduced a new human resources people strategy called SHINE. The aim is to leverage existing best practices and create a single global standard for the field organisation, to ensure a high availability of broad and deep vertical retail and commercial skills to develop our staff globally.

## **Product**

The key element of our product strategy in Retail is to ensure that relevant products are presented through the Group’s various retail formats to match the intended consumer profile. This requires a product offering that is price-competitive, simple to understand, easy to find and, most importantly, available at the right time and the right place.

To achieve this goal, we will leverage the product assortments, concepts and point-of-sale materials to match real-time consumer trends. Furthermore, the analysis of daily trading information will provide the capability to display our products in the correct proportionality and thus increase our full-price sell-through, especially on best sellers to “make the big bigger”.

## **Premises**

The start of a pleasant shopping experience is the store. It is the meeting point between the consumer and the brands. Therefore, it is of highest importance that our retail environments are inspirational, athletic, fun and interactive, while at the same time being laid out clearly and logically to make it easy to shop. In order to drive our sales per square metre, Retail has set a clear priority on optimising its real estate management process. Dedicated real estate teams have been set up who make sure that:

- Store location and store size fit to the local market
- Store is designed to drive high sales per square metre

- Market share growth and increased market presence is in line with our integrated distribution roadmap, where Retail will focus on the top 100 cities globally.

### **Processes**

Streamlining and harmonising retail store operations and supply chain processes to gain the necessary speed to respond to consumer requests remains a top priority for Retail in 2011. From a store perspective, a key initiative is to identify and promulgate best-in-class operations policies and procedures and ensure consistent adoption to the new retail standards. Globally consistent manuals will provide clear and commercial guidelines for store development, visual merchandising and in-store communication procedures to establish flawless execution and operational excellence.

We will also continue to work on adapting the supply chain, system landscape and buying and demand planning processes. This is essential as we strive to increase our in-season flexibility, be more responsive to changing trends and to achieve economies of scale for the Group's retail activities. Shifting our retail focus strictly onto the consumer also means changing our mindset from a sell-in (push model) oriented to a more sell-through (pull model) oriented perspective.

### **Profit**

To increase the commerciality and profitability of the Group's existing retail assets is the primary focus of all retail teams, whether they are working in logistics, store operations, marketing or any other Retail function. Therefore we will close down stores not reaching their potential, as well as closely review and monitor each new store opening or remodelling to ensure that the targeted profitability and return on investment is accomplished. As part of Route 2015, a key area of focus is to increase four-wall profitability in existing brand centres and brand core stores. To support this strategy, in 2010, Retail introduced a new set of operational KPIs (key performance indicators) benchmarked to best-in-class retailers.

## CASE STUDY

### Strategy of Total

#### Vision



#### Mission



Total Hypermarkets is a retail brand from Jubilant Retail a business division of the ` 4600 crore Jubilant group. Jubilant operates 2 retail formats, Totalhyper markets, and Monday2Sunday super markets. It is the second largest chain in the Bangalore city. The hypermarkets branded as 'Total' are designed on the lines of international shopping malls. Its strategy of 'farm to fork' has led them closer to the farmer who gets a better price for its produce through cash and carry system and also results in the company offering fresh - farm good quality products at an affordable price to the customers. It expects to grow to over 50 hyper markets and 250 supermarkets by 2012.

**Values:**

<p style="text-align: center;"><i>Our Teamwork</i></p>  <p>We will carefully select, train and develop our people to be creative, empower them to take decisions, so that they respond to all customers with agility, confidence and teamwork</p>	<p style="text-align: center;"><i>Our Efficiency</i></p>  <p>We stretch ourselves to be cost effective and efficient in all aspects of our operations and focus on flawless delivery to create and provide the best value to our customers</p>
<p style="text-align: center;"><i>Our Knowhow</i></p>  <p>By sharing our knowledge and learning from each other and from the markets we serve, we will continue to surprise our customers with innovative solutions</p>	<p style="text-align: center;"><i>Our Delivery</i></p>  <p>With utmost care for the environment and safety, we will always strive to excel in the quality of our processes, our products and our services</p>

## Marketing Mix Strategy

The elements of marketing mix of Total are as given under.

**Target market** -Its daily foot falls are in the range of 12,000 on an average weekday, and around 35,000 on weekends. TOTAL targets higher and upper middle class customers with special focus on youth and women..

**Product range** -Driven by the concept of value retailing, it has different brands. Large product mix offered by TOTAL was the main attraction for the customers. It carries more than 80,000 different products from more than 1,500 different brands, under different categories of products such as apparel, consumer durables & IT products, furniture & home furnishings, fresh fruits & vegetables, fish & meat & poultry, Garma Garam – serving fresh Indian food and Baker’s Factory – Total’s popular in-house bakery.

Further, Jubilant Retail is looking to launch its private label in the apparel category, to be sold exclusively in its hypermarket chain.

**Pricing**-Pricing at TOTAL is based on the following techniques:

- **Value Pricing (EDLP – Every Day Low pricing):** TOTAL promises consumers the lowest available price without coupon clipping, waiting for discount promotions, or comparison shopping.
- **Promotional Pricing:** TOTAL offers financing at low interest rate. The concept of psychological discounting (Rs. 99, ` 49, etc.) is also used to attract customers. TOTAL also caters on Special Event Pricing (Close to Diwali, Gudi Padva, and Durga Pooja).
- **Differentiated Pricing:** Differentiated pricing i.e. difference in rate based on peak and non-peak hours or days of shopping is also used in Wednesday Bazaar
- **Bundling:** It refers to selling Mini grocery basket and offering discount to customers. The Mini grocery basket add value to customer and lead to increased sales. TOTAL lays a lot of importance on bundling. e.g. 10kg rice + 2kg oil + 2kg sugar + PillsBury atta 2Kg + hello Royal Basmati rice 1Kg for Rs 599

**People**-The employment is in the range 2,000 people on regular basis and 50 on monthly basis as per requirements. Good physical appearance is insisted. Training is provided to make them well dressed and well mannered.

**Location and layout** -They locate their hypermarket as part of the Mall. The main consideration while selecting the location was 'whether the low margin on the products would allow the company to sustain growth'. In Bangalore they have five stores located at Mysore Road, Madivala, Sarjapur Road, Old Airport Road and Outer Ring Road, Mahadevapura

The first and second floors offer a hypermarket that carries more than 80,000 different products from more than 1,500 different brands, under different categories of products such as apparel, consumer durables & IT products, furniture & home furnishings, fresh fruits & vegetables, fish & meat & poultry, Garma Garam – serving fresh Indian food and Baker's Factory – TOTAL's popular in-house bakery.

The ground floor is occupied by a plethora of brands under food, fashion, technology & healthcare segments, such as Cafe Coffee Day, Planet Fashion, Wills Lifestyle, John Players, Woodlands, Reebok, Adidas, Proline, Home & Apparels, Books & Beyond, Hotspot, Reid & Taylor, PDA Cafe, Wizz, Lilliput, & Spykar. Also slated to open in few days are Manipal Cure & Care, Manipal Pharmacy, Leena Mogre's Fitness Centre and many more brand outlets.

**Facilities**-Products in TOTAL are properly stacked in appropriate racks. There are different departments in the store which display similar kind of products. Throughout the store there are boards/written displays put up which help in identifying the location of a product. Moreover boards are put up above the products which give information about the products, its price and offers. For quick and easy shopping the hypermarket has 30 billing counters.

TOTAL places a lot of importance on the process right from the purchase to the delivery of goods. When customers enter the stores they can add the products they which to purchase in their trolley from the racks. There are multiple counters where bill can be generated

for purchases made. TOTAL also provides pick up and drop service for the customers under the caption TOTAL EXPRESS. Pick up every 30 minutes, air conditioned vans are provided. This facility is available from 11 -11pm.

**Cash counters:** The hypermarket has 22 cash counters, including express counters. Runners- But what's amazing is that Jumbo Saver has actually trained a team of skaters for the cash counter area over three to four months. These 'runners' as they are called rush out to get last-minute shopping items for shoppers already at the check-out points. About four to five runners operate at each of the three shifts.

**Promotion-**The various promotion schemes used at TOTAL include, 3600 approach, consisting of 75% print media, Television, outdoor hoardings, Radio etc. Shop price competition is the sales promotion tool used at TOTAL outlet.

### Swot Analysis

The strengths-weaknesses-opportunities – threats analysis of Total is as given under.

Strengths	Opportunities
<ul style="list-style-type: none"> <li>➤ Good supply chain management.</li> <li>➤ Variety of products available under one roof.</li> <li>➤ Good profit margins on sold products.</li> <li>➤ Good brands available at affordable prices.</li> </ul>	<ul style="list-style-type: none"> <li>➤ A huge unorganized retail market and increasing customer preferences towards organized retail outlets.</li> <li>➤ A new breed of shoppers who prefer weekend outing</li> <li>➤ Rising incomes of young professional in city.</li> </ul>

Weakness	Threats
<ul style="list-style-type: none"> <li>➤ High employee attrition rate.</li> <li>➤ Employees are not well versed in handling esteemed customers.</li> <li>➤ Presence of less standard quality goods.</li> <li>➤ No private labels with good quality.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Competition from domestic and international players.</li> <li>➤ Growing quality and health consciousness of customers.</li> <li>➤ Convenience stores in nearby locations if improve service, people may prefer to allocate resources to them.</li> <li>➤ Traffic congestions and pollution.</li> </ul>

**Questions**

1. Analyze the marketing strategy of Total
2. What kind of improvements can Total consider to woo customers?

**Mini-Project**

Visit about 5 medium size stores in your townspecializing in a product category and interview the owner managers on their plans for future growth. Perform SWOT and PEST for them.

**CASE STUDY**

**Carrefour With Out Alliance**

French retailer Carrefour SA is the second largest retailer in the world, with revenues topping €90 billion (over Rs 6,25,000 crore). It explored options to enter India and decided to start a fully own cash-and-carry venture without a local partner. Carrefour plans to have over 3,00,000 sq feet of retail space under its retail umbrella by 2013. It is adopting a cluster approach to grow its footprint in India.

## Expansion

Carrefour India opened stores under the name Carrefour Wholesale Cash&Carry. After marking its presence in four locations in North India, the world's second largest retailer is reportedly eyeing Pune and Bangalore to set up shop next., German retailer Metro has 10 stores including an outlet in Delhi, while Wal-Mart has 17 stores largely in the West and North. Both Wal-Mart and Metro have on separate occasions said that they want to expand their reach in the country.

This opening is in line with the group's strategy to be present in major emerging markets that offer significant expansion and medium- and long-term growth opportunities. According to Indian regulation, Cash& Carry is today the only format the foreign groups are authorized to develop solely.

### **Lars Olofsson, CEO of Carrefour, declared:**

“The opening of this first store marks Carrefour's entry into the Indian market and will be followed shortly by the opening of other Cash & Carry stores. This first step is essential to allow the Carrefour teams to fully understand the specificities of the Indian market and then build our presence in other formats.” Jean-Noël Bironneau, Carrefour India Executive Director, declared:

“We are very pleased with the results from our first Cash & Carry store. This second opening in Jaipur represents the next step of Carrefour's implantation in the Indian market, which holds important growth opportunity. As well as our intension to expand in the cash & carry segment, we maintain our ambition to develop in other formats”.

The new stores will give the company a deeper foothold in the Indian cash and carry business. Land has been identified at both the locations and work will commence soon. The stores will be ready for operation by early 2013,” sources close to the development said. The stores have a sales area of about 5200 sq.m, each offering more than 10.000 SKUs in food and non-food to professional businesses, institutions, restaurants and local retailers.

### **Gearing up**

“Carrefour is gearing itself up for opening up of the multi-brand retail sector. Also, with the economic crisis in Euro zone deepening, Asia would make most profitable business for the company both for retailing and sourcing,” sources said.

### **Sourcing**

A Technopak study says that retailers from semi-urban and rural locations travel about 40-50 km to the nearest wholesale market for sourcing. Sources note that Carrefour is also looking to step up its vendor base and sourcing from India. The company has about 600 vendors. It sources and exports products worth \$200 million from the Indian market. These include field fresh vegetables and garments among others.

## **CASE STUDY**

### **Walmart With Alliance**

Bharti Wal-Mart is a 50:50 joint venture between Wal-Mart Stores Inc and Bharti Enterprises that operates wholesale stores in India.

American retail giant Walmart is learnt to be actively exploring the online space in India. It was in talks with some leading e-commerce companies in India for partnership possibilities, sources close to the development said.

The world's largest retail company, with global revenue of \$400 billion, is currently trying to strengthen its e-commerce operations in the US and other international markets, sensing competition from online competitors, including Amazon. In recent months, Walmart has been acquiring web-related companies internationally, including in China.

The e-commerce space has turned active in India, with several serious entities in the game. Amazon has also entered but through the aggregator route, by launching jungle.com. Amazon opted for the indirect entry due to the restrictions on foreign direct investment (FDI) in the retail sector.

Explaining why a foreign retailer would be keen to join the online segment here, Saloni Nangia, president of Technopak, a retail consultancy, said e-commerce had very strong business potential here. The factors influencing the growth of e-commerce are dearth of real estate, the average Indian consumer becoming time-deficient, exponential growth in internet connectivity, smart phones and tablets.

“As modern retail is still a very small share of the market and India is a growing economy, a multi-channel presence will help build a stronger presence in the market,” she said. The annual retail business in India is pegged at an estimated \$500-billion (Rs 25 lakh crore); 0.1 per cent of this is online retail.

The existing foreign investment restrictions in domestic trading would be applicable to e-commerce, too. Such companies would engage only in business to business (B2B) e-commerce and not in retail trading, the policy states. In the brick and mortar segment, the rules permit 100 per cent FDI in cash and carry or wholesale trade. In single-brand retail, too, FDI up to 100 per cent has been allowed, from the 51 per cent earlier, though with several riders. In multi-brand retail, however, FDI is not allowed at all. The Union cabinet had cleared FDI in multi-brand retail last November but then held it back, due to an adverse political reaction.

In India, Walmart has a 50:50 joint venture with Bharti Enterprises for operating cash and carry (wholesale) stores. In 2009, it launched the first cash and carry outlet in India, and now has 17 of these across the country. Walmart and Bharti want to extend the partnership to the front-end multi-brand category once FDI is permitted there. Walmart gets around \$1 billion (about Rs 5,000 crore) in annual revenue from its India operations.

Wal-Mart, is slowly expanding its footprint in India. In the pipeline are plans to open more B2B stores with joint venture partner Bharti Enterprises. On hold are its plans to open the low-cost, no frills front-end multi-branded retail stores.

“Our new store development is focused on high-growth markets such as Mexico, China, and Brazil,” said a WalMart India spokesperson. “We continue to pursue the middle-income customer in these markets.

We have recently established our presence in high growth markets such as India and Africa with our joint ventures. In India we currently have 17 Best Price Modern Wholesale stores and are looking further to expand our presence in the country.”

The company will look at opening at least 15 cash-and-carry stores under its Bharti-Walmart JV. The Best Price Modern Wholesale, B2B cash-and-carry whole stores, offer merchandise to retailers, offices and institutions, hotels, restaurants and caterers at best prices. The retailer has put on hold its plans to introduce the bodega format (low-cost and no frills) stores and is waiting for the government guidelines to be revised to permit investment in multi-brand front-end retail sector.

“Should the government guidelines be revised to permit investment in multi-brand front-end retail sector, we would evaluate the opportunities at that time and take an appropriate decision,” said the spokesperson.

US-based Wal-Mart Stores Inc recently announced said it is tightening anti-corruption practices in India, amidst reports of US lawmakers asking the retail giant to review its operations in the country along with those in four other nations. This (anti-corruption measures) is part of the previously announced worldwide review of our anti-corruption programme that the company initiated in March of 2011.

## **CASE STUDY**

### **Tesco’s Entry Strategy**

After wooing many Indian realty majors and retailers, including Bharti, the Wadias, DLF and Parsvnath, UK’s largest retailer Tesco, the world’s number 3 retailer, in 2008 decided to go solo by developing a cash-and-carry business with an investment of £ 60 million in the first two years.

Tesco joined German rival Metro—the first to enter India in 2003—in opting for the wholly-owned cash-and-carry operations. It announced plans to open its first outlet in Mumbai towards the end of next year, with further distribution hubs in New Delhi and Bangalore that will support a network of smaller cash-and-carry stores supplying thousands of small retailers and restaurants.

The cash-and-carry business, also known as wholesale outlets, is the only retail format where 100% FDI is allowed. Tesco international & IT director Philip Clarke said, “We have made no secret of our wish to enter India and have had a team here for almost three years studying the market, talking to businesses and consumers and looking for the right way forward.”

It has simultaneously zeroed in on a tie-up with Trent, the Tata group retail arm, to develop the latter’s discount hypermarket format.

Tesco international and IT director Philip Clarke told reporters that the firm was keen to set up its own retail business in India, should the legislation change. “If and when it changes, our wholesale business and the agreement with the Tata group gives us great experience of the Indian marketplace and consumer,” he said.

## **CASE STUDY**

### **Reliance Retail Growth Strategy**

#### **Tata Trent ‘S Growth Strategy**

**Trent** is the retail arm of the Tata group. Started in 1998, In 1998 Tata sold of their 50% stake in the cosmetic products company Lakmé to HLL for Rs 200 Crore (approx. 45 million US\$), and created Trent from the money it made through the sale. All shareholders of Lakmé were given different shares in Trent. Simone Tata, the chairperson of Lakmé, went on to head Trent. The reason behind the sale was that Simone Tata saw a greater growth potential in retail, and believed that it would be much more difficult for an Indian company to release new cosmetic products in a market that had opened up to global companies.

Trent’s retail formats are Westside (apparel and lifestyle), Landmark (books and music) Star Bazaar and Sisley (manages the Italian apparel brand). Looking for sharper management focus and improvement in operations, Star Bazaar was recently transferred to a 100% Trent subsidiary, Trent Retail. “In large format retailing in India, hypermarket is the most challenging and eventually rewarding, as it has been abroad,” said Trent MD Noel N Tata. This (Star Bazaar transfer to Trent Retail) was done to beef up its large box format through local sourcing arrangements as against national sourcing.

This was done because as the latter was unviable, especially in food and groceries, due to infrastructure bottlenecks, tax inefficiencies and high freight costs. Another reason for hiving off Star Bazaar was that it could have tie-ups with international retailers to enhance its know-how.

**Association with Tesco** Both these requirements will be fulfilled through Tesco association. The exclusive arrangement with Trent, for which Tesco will receive a fee, is one where the former can draw from the British chain's vast retail expertise and technical capability to support its own big box format Star Bazaar, which has been on a slow track, according to retail analysts. Launched in 2004, there are four Star Bazaar stores in the country. Apart from accessing the \$99.5-billion Tesco's marketing, stock management, retail information systems, cold-chain infrastructure and front-end services expertise, Trent will source merchandise for Star Bazaar from Tesco's wholesale outlets in India.

#### **Private Labels of Tesco**

Tesco has 3,729 stores in 13 countries. Tesco is stocking its labels like Tesco Value nappies at Star Bazaar outlets, according to international media reports. Tata Group, which owns Star Bazaar, plans to celebrate the supplier's arrival with a blaze of publicity. "When we launch it, Star Bazaar is planning to make a bit of a splash," said Harjeet Drubra, the Finance and Strategy Director behind Tesco's entry. Shoppers at Star Bazaar's seven hypermarkets in India will be offered 58 different Tesco products from Simply Organic biscuits to Fruit Infusions shampoo.

#### **Joint Venture with Inditex**

Trent and Inditex started a joint venture which runs five Zara stores in the country. Trent has 49% while Zara has 51% in the venture. The success of Zara has made Trent look at other joint ventures with Inditex group. Trent Vice Chairman Noel N Tata had indicated that the company was exploring possibility of bringing another retail format of Inditex group to India.

In 2011, Trent, entered into an MoU with Inditex Group of Spain to develop and promote Massimo Dutti stores in India. Trent and ZARA

Holding BV, a unit of Inditex Group, would set up a joint venture in which latter would hold 51% and Trent would hold remaining 49%. They are planning to open at least 3-4 stores in the first year of operations. Massimo Dutti has 542 stores in 50 countries and offers a variety of collections from high end fashion to easy-going casual wear. This is the second joint venture for

The Inditex group, clocked revenues of 12.53 billion euros (Rs 80,192 crore) in 2010 where as Trent posted revenues of Rs 716 crore in the financial year 2011. Inditex is made up of more than 100 companies operating in textile, design, manufacturing and distribution. The group runs 5,000 stores in 78 countries and operates different formats such as Zara, Pull & Bear, Massimo Dutti, Breshka, Oysho, Stradivarius, Zara Home and Uterque.

### **Reliance Retail Growth Strategy**

Reliance Industries plans to grow its retail business six-fold within four years, indicating that the country's largest private company is unfazed by the demand slowdown that has forced some of its rivals to curtail expansion and shut outlets. Reliance Retail, the firm's retail arm, targets revenues of Rs 40,000-Rs 50,000 crore over the next three to four years, Reliance Industries chairman Mukesh Ambani told company shareholders at its annual general meeting. Reliance Retail has provided new employment for 50,000 people, including 25,000 people directly by Reliance.

### **Growth Plans**

Reliance Retail, which operates about 1,300 stores across multiple formats in 86 cities, reported 25% jump in its revenues from operations at Rs 7,599 crore for the year ended March 2012. The company is looking to grow its customer base by over three times from about 30 lakh people visiting its retail stores every week currently to over one crore people every week in 3-4 years. For this, the country's second-largest retailer plans aggressive expansion. With scale, supply chain integration and continuous learning, we expect this business to be profitable within the same time period and achieve a satisfactory return on capital," Ambani said.

### **Capital Infusion**

Retail is a money-guzzling business, especially in the expansion stage. Retailers such as Subhiksha and Vishal Retail went under as they were unable to service the borrowings that financed their aggressive expansion plans. Reliance Retail, too, was forced to close several shops and curtail its expansion plans. The much hyped 'farm to fork' strategy just refused to take off following opposition in many states, It had to shut 50 shops, downsize its employee strength by over 1000 and exit two formats —Reliance Kitchen, which sold modular kitchen furniture, and Reliance Wellness, a beauty and lifestyle chain..According to its 2011-12 annual report, RIL invested Rs 5,027 crore of fresh capital in Reliance Retail last fiscal. Reliance Retail board also has an approval of Rs 4,500 crore fund infusion from the parent company that is expected to come in several tranches.

### **Small to Big Box Stores**

The “focus” on scale is clearly visible. Reliance Retail, which started with smaller 2,000-4,000 sq ft food and grocery stores, is now stepping up its presence in hypermarkets that are built on about 70,000-80,000 sq ft and stock everything from food to apparel to furniture. So far, it does not even have half-a-dozen hypermarkets. But under the leadership of two retail veterans from China - Rob Cissell, former chief operating officer of Walmart China, and Shawn Gray, former vice-president in-charge of store operations of the same company - Reliance Retail has been buying real estate for big-box formats expansion.

### **Synergy**

To bring in more synergies, it has merged nine loss making units with Reliance Fresh, its main retailing unit. Some say that Reliance's multi-format strategy had paid off though it is yet to see success with its value formats. In tune with its multi-format strategy, Reliance Retail opened formats such as Reliance Digital, a consumer durable chain; Reliance Jewels, a jeweler chain; Reliance Footprints, a footwear chain; Reliance Trends, a fashion chain among others apart from value formats such as Reliance Fresh and Reliance Mart. Reliance Fresh, its fruit, vegetables and grocery stores, accounts for half of its shops. Reliance Retail will also

launch an in-house ready-to-eat food brand in the next 2-3 months and has partnered a foreign firm for technical expertise

Reliance Retail through its newest format Reliance Markets is partnering kirana stores and small retailers to supply them products at low prices.”We aim to be a supplier of choice for kiranas and small retailers . . . We will grow in retail in partnerships with small retailers,” said Mukesh Ambani. “We have strengthened our portfolio of global brands through partnerships . . . We will continue to invest in partnerships with consumers, brands and producers,” he said.

Its other retail chains include joint ventures with Marks & Spencer, Vision Express and Hamleys.

### **Breakeven challenges**

For many, retail is yet to show break-even or stabilize. Apparel is showing early break-even because of high margins, but food, home and electronics are yet to see break-even for many. Some of the reliance stores are incurring losses. Reliance Brands, which has agreements with global brands such as Diesel, posted a loss of Rs 18.7 crore on a turnover of Rs 30.9 crore. Reliance Trends, which runs fashion stores, incurred a loss of Rs 11.35 crore on a turnover of Rs 489 crore. However, some of RIL’s speciality retail units have reached break-even or are nearing the point. Reliance Gems & Jewels posted a profit after tax of Rs 0.84 crore on a revenue of Rs 475.5 crore. Reliance Footprint made a loss of Rs 0.6 crore on a revenue of Rs 155.4 crore.

“The more stores become profitable, it will give them confidence to open more stores and achieve scale,” said Harminder Sahni, managing director at Wazir Advisors, a retail consultancy company.

## **CASE STUDY**

### **Pantaloon Retail Management**

Pantaloon Retail India Pvt Ltd is India’s major retailers with presence in following two segments:

- Lifestyle Retailing - Pantaloons, Central, Fashion Station, aLL, MeLa

- Value retailing - Big Bazaar, Food Bazaar

#### **a. Store Management**

**Category Management:** Pantaloon employed the concept of category management in day-to-day merchandising function to create products across length and breadth of a category at different price points, fabrics, design, shape, seasons, colour and size.

**Merchandising** - The Category manager develop a merchandising strategy for the category taking into consideration customer profile, classification, resource structure, vendors, fashion trends, items and price points. The category manager visit stores regularly to check assortments of merchandise displays, stock levels and old season merchandise, consult with team leaders and sales people on problems and suggestions.

**Sourcing / Purchasing** - The category manager controls quantities to be purchased as per the sales forecast. The purchasing is done based on range plan made for the season and re-orders been placed based on sales and stock levels. The Category Manager reviews the actual sales versus planned sales and source the material based on feedback from storefront.

**Logistics**- Category manager ensure that goods are dispatched in right quantities and at right time to reach stores with sufficient time in hand to promptly cater to customer demands.

**Promotions** - Category manager plans promotions / brand or product building schemes. The category manager identify slow movers and also disposal plan for the same.

**Visual Merchandising:** Pantaloon uses visual merchandising skills to present the merchandise at its best, in order to appeal to the customer. This is a critical in store activity with the visual merchandising team deciding on the theme as well as the manner in which the merchandise is proposed to be displayed across the stores nationwide.

**Supply Chain management**- The diverse requirements of different retail formats in which Pantaloon operates require a model which is flexible enough to meet the diverse requirement of various formats; in case of Pantaloons- the time to market is of paramount importance whereas for

Big Bazaar – the cost to market is crucial. Keeping this in mind, we have created our own supply chain and logistics model.

The Supply Chain function involves vendor management, quality assurance and transportation.

- **Vendor management** Pantaloons has in place a robust vendor management system. Vendors are identified all over the country and strategic relationships are developed.
- **Quality assurance** - The quality assurance function has been strengthened with the implementation of internal quality control measures. Quality hubs have been established at zonal level with a view to proactively prevent quality defects.
- **Warehousing and Transportation** - Pantaloon has set up one central warehouse and 12 regional warehouses.
  - In case of lifestyle retailing, the entire apparel stock is generally delivered to the central warehouse. The central warehouse then services individual stores. In addition to central buying, there is restricted local buying.
  - In Big Bazaar, the merchandise is delivered straight from the vendors /manufacturers to different regional/city warehouses; these warehouses then transfer the products to the respective stores.
  - Food Bazaar has both perishable and non-perishable products. Perishable goods like fruits, vegetables are sourced from the concessionaires and stocked directly at the stores. Non-perishable products are delivered directly from suppliers and manufacturers.

While we outsource intercity transport of goods to third parties, intra city movement from warehouse to the stores is handled by our own fleet of vehicles.

- For lifestyle retail formats, we use the services of logistic solution providers in order to deliver products on time to the stores.
- For value retail, low cost transport arrangements have been secured to optimize transportation cost.

Warehouse operations have been streamlined through the standardisation of racking system, scientific layouts and implementation of automatic replenishment system.

### **Information Technology**

The IT vision is to address multiple aspects like connectivity, infrastructure, security, real time information and tools for financial management amongst others. The IT strategy has been framed keeping in mind the growth in formats, chains, product categories and locations.

The most rudimentary issue is that of connectivity, it means ensuring seamless flow of data to the head office from regional offices, zonal centre, stores and warehouses. All locations are connected through company wide virtual private network, stock and sales data from each store is consolidated on a daily basis allowing close monitoring and quick decision-making.

At present, business planning occurs through a high-end planning tool called 'Cognos Planning', while data analysis is undertaken through 'Cognos Powerplay', a highly analytical platform that enables data to be drilled down to the lowest level. 'Oracle Financials', the backbone of accounting function, is the integrator between planning, buying, moving, selling and analysis functions, and gives on-line real time access to the company's overall financial position at any given point in time.

### **b. Organisation Structure**

The organization is headed by the Managing Director. They follow an inverse pyramid structure; as a result decisions are taken closest to the point of customer action. Sales executive are encouraged to think customer first. They are empowered to run their respective departments like 'small business owners'.

### **c. Human Resource Management**

Pantaloon employs about 8,000 employees with average employee age being 30 years.

Human Resource philosophy is driven through 'The Pantaloon People Management System' and employees feel pride of being called 'Pantaloonianians'.

Pantaloon People management system is built on 5 pillars of people based growth:

- Culture Building
- Performance Management through Balanced ScoreCard
- People Processes
- Management Processes
- Leadership Excellence

### ***Hiring and training***

Sources of recruitment include:

- In-house data bank
- Walk-in advertisement
- Internal Referrals
- NGO's

The Company has a well defined Learning & Development (L &D) team that is responsible for training at all the levels across the country. The L & D team focuses on primary and secondary research into various aspects of retail and assessment of training needs across Knowledge, Skills & Attitude areas at all levels.

- 'Prarambh' for Induction and 'Guru-School' for Trainer Development are a couple of programs created and disseminated by the L & D Team this year.
- A training centre at each zone equipped with extensive and up-to-date facilities to offer relevant training programmes is on the anvil.

### ***Performance Management***

The organisation's Compensation philosophy is 'Pay for Performance, promote for potential' and is designed to meet the following key

objectives:

- Attract and Retain Qualified Employees
- Externally Competitive
- Performance based pay
- Internally Equitable
- Legal Compliance

The compensation policy is performance based is competitive with industry standards in India. Compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. Employees who have met or exceeded performance standards are awarded bonuses.

Post retirement benefits include a provident fund and a gratuity. “Pantaloan Foundation”-an employee welfare fund was set up in 2004. The fund provides financial assistance in all cases wherein the employee seeks the Company’s financial support in medical emergency for him/herself or their families. The contribution to the fund is voluntary.

### ***Employee Insurance***

Group life insurance, and medical insurance coverage for employees who are not covered under ESIC (Employee State Insurance Corporation) benefit are taken.

### ***Retention Strategy***

Processes including employee mentoring and grievance management programmes are intended to facilitate a friendly and cohesive organisation culture. Off-site activities are encouraged to improve inter-personal relationship. An annual celebration called ‘Pantaloan Day’ is celebrated every year. Employee suggestion programme called ‘Prerna’ “Golden Cap” prize given quarterly for the best suggestion encourage employee involvement.

## **CASE STUDY**

### **Tesco Goes High Tech**

Moving up the value chain, it is now crafting products that will transform Tesco's global business, especially developing mobile applications that drive online sales.

"There are a variety of mobile applications being developed from Tesco HSC. Tesco has launched mobile grocery applications on the Android, iPhone, iPad, Nokia and Windows 7 platforms to enable the customer to shop while being mobile. These apps are engineered and maintained at the Tesco HSC," Sandeep Dhar, CEO said.

The Android application was developed completely by the Tesco HSC mobile engineering team and they have been involved in all feature releases after the initial release. The iPhone app is the first Tesco mobile app and has seen more than two million downloads since its launch. The mobile engineering team at the Bangalore centre has grown to 20 from zilch in less than a year's time.

"Mobile commerce is a growing segment and is an additional channel of shopping for our customers. In terms of sales, 8% of our online grocery orders touch a mobile phone with about half these orders being completed 100% on the phone. Looking at e-commerce as a whole, Tesco is UK's largest online retailer processing over five lakh orders a week," Dhar says. Since 2004, Tesco HSC - that now houses 6,000 people - has provided the technology and services backbone for a \$100-billion business that serves 60 million customers.

India provides support to Tesco operations in the UK, the US, major European countries and growth markets such as Turkey, South Korea, Thailand and China. The shift from just a support base to one that manages mission-critical IT applications came a few years ago. "Contributions out of the centre are now aligned to business goals of Tesco," says Dhar.

For example, he says, Tesco has deployed cutting-edge paperless picking technology at its warehouses: "Employees entering the mammoth

distribution centres use a wrist device that could be swiped at the entrance of these warehouses. On swiping, each employee is given a task list for selection of a particular product from a warehouse section and the information regarding the store to which the products need to be delivered. Tesco HSC delivered the software and then ran this function.”

Tesco’s global parent saves up to \$100 million every year by outsourcing tech work to India. And it is this service centre that was responsible for implementing the Tesco Operating Model (TOM) in 2008 that lies at the heart of the company’s global drive and consequent growth.

“While India’s IT success story has spawned several instances where strategic moves have been supported from India, Tesco’s is a first in retail where business processes (and technology) meant for global implementation have been provided for, and sustained out of an India back-office centre,” says Dhar. As a result, stores from China to the US use the same technology and process for buying merchandise, billing customers and managing stores.

Tesco’s local centre has become a successful global player in technology as it realised that the talent model is an important lever for captives to optimise in support of future growth. This means aligning its talent model to building a global pool of end-to-end IT skills and domain knowledge.

“We have continued to build a strong workforce that is on the cutting edge of ‘future retailing’ concepts with the ability to develop and enhance retail solutions based on functional and technical expertise. Our investment in talent development programmes has resulted in positive scores on employee surveys that confirm employee engagement is a leading indicator of our overall business success,” he says. Dhar is excited about future applications coming out of the centre.

“A user-friendly feature is bar code scanning support. You can now scan any grocery item with your iPhone and it will be automatically added to your Tesco Online shopping basket. Right where the user sees an interesting product - at a friend’s place or on a train - she can scan the bar code and add the product to the basket, buy it immediately or later.

Voice search is another technology that helps save time in searching products on the mobile.” Incorporating hand gestures in the mobile apps is the newest technology that the mobile engineering team is working on. With 3% of Tesco’s online revenue growth coming from mobile users, the app is where the money is.

### Internet Exercise

Search for information on organizational challenges by faced large retail chain and prepare a paper. You may start with Towards a sustainable fashion retail supply chain in Europe . . . <https://cassis.inrets.fr/> . . . / versionED\_DeBrito\_Carbone\_Meunier\_fashi . . .

### Mini-Project

Visit local large retail outlet and collect data about organization and positions.

Draw the organization chart and explain key positions.

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