CHAPTER 1

BRANDING

Branding is so powerful that it takes years of neglect and bad management to kill of a brand, not an act of God.

— Damian O' Malley

BRAND

Introduction

Modern business is under the enormous pressure of cut-throat competition. No businessman can be successful unless he eliminates competition of his product. Eliminating competition means winning the confidence of customers and this objective can be easily achieved with brands, which are easy to remember. Even an illiterate consumer can easily recognise "Lifebuoy" brand soap. It is with a popular brand that can easily face competition in business.

Goods are sold in well-designed packages. Such packages can attract more consumers if they are stamped with a popular brand which, in many cases, is liked and appreciated by young boys, girls and children. Even ELDERS have a special liking for a well-designed brand. In fact, a good brand is popular with young and old , rich and poor and literate and illiterate people.

One cannot deny the importance of advertising and publicity in the marketing of goods. This medium of promoting sales can be effective only when the advertisement is accompanied by an attractive brand name. If the selected brand is good, publicity through advertisement will be very effective, and sales will show a rising trend. Last, but not the least, a good brand creates an individuality and a prestigious image of the producer of seller. Every producer or seller would naturally wish his or his family name to be associated with the business he is handling. This tendency of desire gives importance to the brand. No successful businessman can afford to forget "brand" as one of the important FACTORS in marketing.

What is a Brand?

The word "brand" owes its origin to the Norwegian word "brandr" meaning to burn. Farmers used to put some identification mark on the body of the livestock to distinguish it from others.

TABLE 1.1
Definitions of Brand

S.No.	Definition	Reference
1.	A brand is a name, term, sign, symbol or design or a combination of them intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of the competitors.	American Marketing Association.
2.	The consumer's idea of a product.	David Ogilvy.
3.	(i) A brand or brand name as some people call it, is a simplified, "Shorthand" description of a package of value upon which consumers and prospective purchasers can rely to be consistently the same (or better) over long periods of time. It distinguishes a product or service from competitive offerings. The influence of the Internet, e-commerce and globalization on brands will be profound. (ii) A brand is an important asset of a company, its products or services and its marketing strategy. Often the brand will have a familiar logo associated with it as its icon. When you see this logo (such as in Nike Shoes), you think of the brand and the entire package of value and the promises it carries. At least that is the way it is supposed to work!	John Mariotti President and CEO, The Enterprise Group.
4.	A brand is a product that provides functional benefits plus added values that some consumers value enough to buy.	John Philip Jones President RGC Consulting Corporation, New York.
5.	In marketing brand is a word, term, symbol or design, or a combination of two or more of these, used to identify a product or service of a seller, thus differentiating the product or service from others.	Encyclopedia Americana.
6.	A brand is the proprietary visual, emotional, rational and cultural image that you associate with a company or a product.	Charles R. Pettis III (Brand Solutions).
7.	Brand in the marketing sense means any letter, word, name,symbol or device or any combination of them to identify the source of manufacture, or the seller or distributor of a product.	A.R. David.
8.	Brand is not the logotype or the symbol or even the product itself. They are commonly, and mistakenly, referred to as brand, with a small "b". Brand, the real thing with the big "B", is a complex abstract object that resides exclusively in the perceptual space of the customer's mind. It is the gestalt of perceptions that the customer associates with the name of product. It singly handedly drives the customer's attitude towards the product.	Ravi Arapurakal AT & T Asia Pacific Brand Management Council.
9.	A Brand is just a word: Kleenex, Xerox, or Jell-O. It is the core of your strategy, your DNA. It embodies your image, determines your marketing from concept to execution, includes assets and liabilities, and influences internal and external customers. Beauty is in the eye of the beholder. Your brand is who you are.	David R. Rohlander "Positioning for the Future" in Executive Excellence, March 1999.

Thus, according to the definitions (Table 1.1) — A brand is a 'term' meaning that it can be a word used to express a definite concept — a 'name' meaning that it can be a word by which it is known, a 'sign and symbol' meaning that it can be a mark used to represent something or to distinguish the thing on which it is put and 'Design' meaning that it can be a sketch, a scheme of lines or shapes forming a pattern or decoration.

Further it distinguishes the product from that of the competitors and identifies the seller or maker; thus it is an attempt to create individuality. Brand is a trusted promise of quality, service and value, established over time and proven by the test of repeated use and satisfaction.

Added values form the most important part of the definition of a brand. The idea of added values is not a new one and was described succinctly by James Webb Yound, University of Chicago. What are these added values and where do they come from? Some marketing professionals claim that every factor from a brand's early history to the distribution of its competitors has a bearing on them; but while this is not completely untrue, some factors are clearly more important than others. All the most important added values are non-functional although as an exceptional case unexpected functional uses sometimes find for some brands. Most brands have a known and restricted range of functions, and added values are the non-functional benefits over and beyond these. Example: for a motor car, its ability to move from place to place safely, reliably, and economically; for a suit of clothes, its warmth and appearance; for a packet of corn flakes, its taste and nutrition; for a bottle of scent, its smell; and for a powen drill, its ability to produce holes of a range of uniform sizes, reliably, safely and quickly.

Another emphasis in the definition is on "Some Consumers". Tastes differ so widely that no brand can be all things to all people. Moreover, a manufacturer who strives to cover too wide a field will produce a brand that is number two or number three over a wide range of attributes, rather than number one over a limited range of attributes (which might enable it to become first choice to a limited group of consumers, the normal route to success). Many marketing professionals contend that it is more attractive to go for a limited part of the market rather than move head-on against the entrenched competition in the largest sector though there are exceptions to it.

An important point to be remembered here is the distinction between a product and a brand. A product is something with a functional purpose. A brand offers something in addition to its functional purpose. All brands are products (including brands such as Hertz or Air India that are technical services) in that they serve a functional purpose. But not all products are brands.

Thus, Brands provide their owners with a colourful way to compete; they are now recognised widely as business assets of genuine economic value and as such have attracted the attention of a much wider audience. Brands now occupy centre stage; they drive major mergers and acquisitions; they appear frequently in the balance sheets of their owners; they have hexed legislators involved in updating the archaic trade mark law; their application now extends to organisations who a few years ago would never have considered themselves as brands (charities, utilities, sports associations, cities, etc.) and they have changed irrevocably the way in which major companies organise and run their business.

BRANDING

Introduction

Products are what companies make, but customers buy the brands. Therefore, marketers resorted to branding in order to distinguish their offerings from similar products and services provided by their competitors. Additionally, it carries an inherent assurance to the customers that the quality of a purchase will be similar to earlier purchases of the same brand.

The branding of a product is like naming a newborn child. It basically serves to identify the offering. Since the earliest times producers of goods have used their brands or marks to distinguish their products. Pride in their products has no doubt played a part in this. More particularly, by identifying their products

they have provided purchasers with a means of recognising and specifying them, should they wish to repurchase or recommend the products to others.

The use of brands has developed considerably, especially in the last century. Indeed, the words 'brand' and 'branding' are now such common currency that their original meaning is in danger of being weakened. However, the function of a brand as distinguishing the goods of one produce from those of another and of thus allowing consumer freedon of choice has remained unaltered.

Over the years brands have developed in a number of significant ways. First, legal systems have recognised the value of brands to both consumer and producers. Most countries in the world now recognise that intellectual property — trade marks, patents, designs, copyright — is property in a very real sense and therefore confer rights on the owners of such property. Second, the concept of branded goods has been extended successfully to embrace services and other less tangible types of offering. Thus the providers of financial, retail or other services can now generally treat them as branded products, provided they are distinguished from those of competitors. Service brands now generally enjoy the same statutory rights as product brands. Third, and perhaps most importantly, the ways in which branded products or services are distinguished from one another have increasingly come to embrace non tangible factors, as well as such real factors as size, shape, make-up and price. The brand qualities which consumers rely upon in making a choice between brands have become increasingly subtle, and, at times, fickle. Cigarette A may be virtually indistinguishable from cigarette B yet outsell it 10 to 1; a fragrance costing Rs. 50 a bottle may be another fragrance with very similar physical characteristic but which sell at Rs. 20 a bottle.

Finally, as a result of all this development, it has been acknowledged by financial and marketing communities alike that brands do not merely have consumer 'Values', but also financial value, which can be measured. Various techniques for measuring financial brand value have now been developed.

Definition

Branding is a process, a tool, a strategy and an orientation.

Branding is the process by which a marketer tries to build a long-term relationship with the customers by learning their needs and wants so that the offering (brand)could satisfy their mutual aspirations.

Branding can be viewed as a tool to position a product or a service, with a consistent image of quality and value for money, to ensure the development of a recurring preference by the consumer. The consumer when satisfied with some brand doesn't want to spend additional time and effort to evaluate the other alternative choices.

Branding can be used as a differentiation strategy when the product cannot be easily distinguished in terms of tangible features (which invariably happens in case of many CNDs, service and even durable) or, in products which are perceived as a commodity (e.g. Cement, fertilizer, salt, potato chips etc.). In all such situations, marketers use branding as a differentiation strategy and try to develop an intimacy with customer groups. That is, they try to develop and deliver customized products and auxiliary services with tailor-made communications to match with the customer's self-image.

Brand building is a conscious customer- satisfaction orientation process. The brand owner tries to retain customers to his fold over their competitors by a mix of hardware and software because when a customer feels satisfied he/she develops a kind of loyalty to the same. Therefore, a strong brand, apart from name, symbol or design, ensures quality, stability of assured future market and effective utilisation of assets. Further, a strong brand which a retailer wants to stock because of high customer pull also provides the owner of the brand with a platform for the sale of additional products.

BRAND NAME

Introduction

The selection of a proper brand name is the first major step in managing a product. It is a critical element of its marketing mix. A wrong name can be a hindrance in getting the product accepted in the market place and can adversely affect sales and profits. The "right" name can have a positive effect on such objectives.

Brand Name
A brand name is a part of a brand consisting of word, term, sign or symbol or a combination of them that identifies and distinguishes one product from another.

Box 1.1

Definitions

A brand name could be —

- a word with no meaning related to the product it represents viz., Nirma, Titan, Vimal, Charms, Konica, etc.
- the name of the manufacturer of the product viz., Bajaj, Godrej, Tata, Kirloskar,etc,
- a combination of numerals and alphabets, viz., No.10,RX-100, LIV 52, or a word whose meaning suggests some functions or quality of the product. For e.g., brand names like Quickfix (adhesive), Band-aid (Bandage), Duroply (plywood), Sunflame (gas stove) etc. indirectly indicate the use of the product. Similarly, brand names for cosmetics should preferably suggest beauty and glamour. Brand names for food products could convey a message of taste or health.

According to Encyclopedia, Americana, "A brand name is that part of a brand that may be vocalized, thus 'standing for' the product or service of the owner. It may include a word or letter or number, individually or in various arrangements.

A brand name is the verbalizable portion of a brand used to identify and distinguish a marketer's products from those of others.

A brand name may manipulate the buyer's perception about the product. Brand names are often useful in establishing an overall product concept. Occasionally, a brand name becomes the generic name of that product; e.g. in the early seventies brand names like Surf and Dalda use to be synonymous with detergents and vegetable oil. A good brand name has a mnemonic quality, something that sticks in the buyer's mind. At times, consumers even derive some recognition and status from using certain brands. In the case of products like textiles, cigarettes or television, the brand names Vimal, India Kings, and Onida may project an aura of success. Customers here seem to buy the "total symbolic meaning" or the "image" which the brand conveys.

In a country like India where literacy rate is till low, branding plays a major role in communication. Apart from identifying the marketer/producer of the product, branding assures the buyer of some uniform quality leading to repeat purchases.

Trademark

Trade Marks are a form of property they are considered intellecutal rather than commercial property, but can be extremely valuable. For example, it has been suggested that if all the plants and inventories of the Coca-Cola company were reduced to smoke overnight, the company could acquire funds to rebuild the company by using the inherent goodwill of the market alone as security.

Protection of brand names and trademarks has become increasingly important as companies turn more and more to the "safe" strategy of emulating established products and/or successful new products as a way of penetrating a product category. By registering a brand as a trademark, the owner of the marks can protect specific brand names, trademarks and packages and can take action as plaintiffs against others using forms of identification similar to his.

Trademarks are cues that help the consumer recognise and identify a particular product and presumably assure him that the product has come from the same source as in the past. The advantage of a clear, readily recognisable trademark for the consumer is that once he has established a preference for a particular brand of product, he need only look for the trademark cue thus short-circuiting the shopping process. Having a protected tradermark encourages a company to maintain the quality of the product or products linked to the mark, as well as to promote the image of the product through advertising and other marketing techiques. (Discussed in detail in Chapter 4 - Laws Governing Imitation).

Use of TM and the registration symbol ® with the Brand.
Once an application has been filed for registration of trademark, the TM symbol may be used with the brand. Anyone who claims rights in a brand may use the TM (trademark) designation with the brand to alert the public to the claim. However, the registration symbol, R, may only be used once the brand is actually registered in the Trademark Register's Office. Even though an application is pending, the registration symbol may not be used before the brand has actually become registered.

Box 1.2

THE IMPORTANCE OF BRANDS

Companies which invent new brands are able generally to defend them from blatant copying in a variety of ways, though not normally from broad imitation. If a brand is a good one then consumers will purchase it and it becomes a valuable asset. But its asset value derives from more than just its ability to attract sales. The very fact that consumers perceive a brand as embracing a set of values which they can specify means that they will reject, or tend to reject, alternatives which are presented to them that perhaps may not posses all these values. Brands are therefore enduring assets as long as they are kept in good shape and continue to offer consumers the values they require.

In practice, producers of goods or services generally do not interact directly with their consumers. Kodak films are normally sold through photo studios or chemists or Kiosks or mail orders. Formica laminates are sold by hardware stores or as components in fitted Kitchens; Indian Airlines and British Airways airline tickets are retailed through travel agents. Thus the produce, the brand owner, constantly faces the possibility that, at the point of sale, his efforts to develop branded products, which attract strong consumer interest will come to nothing. If Heinz Baked Beans are unavailable or a penny or two more expensive than Safeway's own-brand baked beans then the own-brand product may suffice; if British Airways club class is fully booked then the travellers will readily settle for Virgin upper class; if Ford's Mondeo is on six weeks delivery and the equivalent Vauxhall is available from stock then the Vauxhall may do just as well. Few brands are so powerful as to protect the brand owner against the persuasiveness of a substantially lower price or a much better delivery. For this reason the marketing funtion is normally concerned with ensuing that a company's brand are not handicapped by such factors.

But what the successful brand does is tip the balance slightly in favour of the producer or at least ensure that the balance does not rest entirely with the retailer. H.G. Wells descirbed this process as

"reaching over the shoulder of the retailer straight to the consumer". The brands do more than just protect the producer from the depredations of the retailer — in a very real sense they add value to products.

Consumers know that paying $ 30,000 or $ 40,000 for an imported BMW car is a little irrational when a perfectly adequate domestic model can be purchased for one-third of the price. Yet Perrier and BMW are enormously successful. So the added and apparently intangible values afforded by the brand can in practice become very tangible indeed.

CONCEPT OF BRAND

A brand can convey up to six levels of meaning:

- **Attributes.** A brand first brings to mind certain attributes. Thus, Mercedes suggests expensive, well built, well engineered, durable, high prestige, hig resale value, fast, and so on. The company may use one or more of these attributes to advertise the car. For years Mercedes advertised, "Engineered like no other car in the world". This tagline served as the positioning platform for projecting the car's other attributes.
- **Benefits.** A brand is more than a set of attributes. Customers are not buying attributes, they are buying benefits. Attributes need to be translated into functional and /or emotional benefits. The attribute "durable" could translate into the functional benefit, "I won't have to buy a new car every few years". The attribute "expensive" might translate into the emotional benefit, "The car helps me feel important and admired". The attribute "well-built" might translate into the functional and emotional benefit, "I am safe in case of an accident".
- **Values.** The brands also says something about the producer's values. Thus, Mercedes stands for high performance, safety, prestige and so on. The brand marketer must figure out the specific groups of car buyers who are seeking these values.
- **Culture.** The brand may represent a certain culture. The Mercedes represents German Culture; Organized, efficient and high quality.
- **Personality.** The brand can also project a certain personality. If the brand were a person, an animal or an object, what would come to mind?. Mercedes may suggest a no nonsense boss (Person), a reigning lion (animal), or an austere palace (Object). Sometimes it might take on the personality of an actual well-known person or spokesperson.
- **User.** The brand suggests the kind of consumer who buys or uses the product. One would be surprised to see a 20 year-old secretary driving a Mercedes. He would expect instead to see a 55 year-old top executive behind the wheel. The users will be those who respect the product's values, culture, and personality.

If a company treats a brand only as a name, it misses the print of branding. The challenge in branding is to develop a deep set of meanings for the brand. When the audience can visualize all six dimensions of a brand, the brand is deep; otherwise it is shallow. A Mercedes is a deep brand because consumers understand its meaning along all six dimensions. An Audi is a brand with less depth, since one may not grasp as easily its specific benefits, personality, and user profile.

Given the six levels of brand meanings, marketers must decide at which level (s) to deeply anchor the brand's identity. One mistake would be to promote only the brands attributes. First, the buyer is not interested in the brand attributes as much as the brand benefits. Second, competitors can easily copy the attributes. Third, the current attributes may become less valuable later, hurting a brand that is too tied to specific attributes.

Promoting a brand solely on one or more of its benefits can also be risky. Suppose Mercedes were to tout its main benefit solely as "high performance". If several competitive brands were to emerge later with equal or higher performance, or assuming that car buyers start placing less importance on only high performance as compared to other benefits, then Mercedes will need the freedon to maneuver into a new benefit positioning.

The most enduring attributes of a brand are its values, culture and personality. They define the brand's essence. The Mercedes stands for high technology, performance, success, and so on. That is what Mercedes must project in its brand strategy. It would be a grave mistake for Mercedes to market an inexpensive car bearing the name Mercedes. Doing so would only dilute the value and personality that Mercedes has built up over the years.

Brand : At the Epicentre of Strategy

Why should brands be the central pivot around which consumer business are built?

The concept of Brand is the focus of the business process, especially among consumer busineses. It is the most powerful single determinant of the long-term success of the business. It is the only means of harnessing the customer's growing influence on the evolution of the market.

Brand should be both the driving and intergrating force of the organization . And it should be one of the main concerns of the CEO.

Brand is the strategic centre of the business process because it directly drives the main outcomes of the business. It is the single factor that detrmines the customer's preference for and purchase of product. Brand drives the central purposes of business, revenues, profits and the value of the stock. It directly controls most of the main indicators of the success of the business. It also influences customers want the product, their preference for it over competitors's products, how much more they are prepared to pay for it, how long they will stay with it, and even how much the stock will rise.

The criticality of brand is exclusively through the customer. In an increasingly competitive environment, power migrates from the producer to the customer and strategic focus shifts from product to brand. As customers get more options, it is their choices that determine the success or failure of a business. Customers are the most investment intensive factor of the business, and getting more so every year. It is getting more and more difficult, in this increasingly competitive environment, both to keep getting new customers, and retaining them. If longer term business decisions fail to acknowledge this key fact, and some other dynamics of business become the primary driver than one is eventually going to spend more for less returns. The customer is a moving target. If one does not stay abreast of the accelerating shifts in customer values and attitudes, the customers one has and wants, will both go over to competitors who do.

What makes up the Brand? What makes it the trigger point of the customer's influence? First of all, brand is just not a physical object. It doesn't exist out there. It is in here, in perceptual reality. It is the perceptual residue of all the experiences that the customer has absorbed around the name of the product. These include the product's performance is use, its price, and the functionality of its packaging; its graphics, its advertising and its promotion messages; also its interactions with companies people — sales, dealers, outlets customer service, bills and collections; and all the word-of-mouth from the grapevine and the press.

What gives the Brand the power to influence the customer's attitudes? This is the most difficult part of the concept. Most importantly, brand leverages the customer's own motivations.

It is based on the capacity of the product to satisfy or fulfil their most powerful needs, wants or aspiratons. By leveraging the customer's own motivations, one gets plugged deep in their psyche poised to harness the customer's own dynamics to sqeeze out all the power inherent in the concept of brand so as to increase the customer's receptivity towards the product. If one does not know the kind of perceptual composite that is going to have the greatest influence on the customer dynamics, one will have a feeble brand, not worthy of the capital and not capable of driving the business, and therefore, not worthy of driving the organization's structure and operations. The brand has to be designed to function as a highly focused and effective strategic tool. All of those customer experiences must be tailored to work together, seamlessly and consistently, to form the most powerful perceptual residue around the customer's motivations.

Why should Brand be the driving force of the organization? Every way with which the organization interfaces with the customer can contribute to the perceptual gestalt that makes up the brand. If all of the ways and interfaces are not managed to work together to build the most powerful brand possible for the product, the customer is going to be less committed to it, and therefore less likely to desire it, purchase it, even pay more for it, and so on. The entire organization has to acknowldge the central importance of brand and make sure that each operating function, especially those that interface with the customer,both directly and indirectly, works to form the same perceptual object. Consider product design, product finish, product in use, pricing, package and bill functionality, all advertising , graphics, product and packaging, all human interaction with the customer, sales force, distributors, dealers and retailers, customer service, credit control, and collections. These must be viewed beyond their practical function as individual communications that form and shape the brand. Great care must be taken to make sure that they do not weaken the brand, diluting it, diffusing it and fragmenting it, Equally great care should be taken to leverage their potential as media to affirm and build the perception that anchor it to the customer's main needs, wants or aspirations. The organization's structure itself be designed to accomplish all these with a minimum of operational inhibitors. Otherwise it tantamounts to corporate irresponsibility, because one will indirectly be acquiescing to getting less revenues, less profits and a lower stock price than is potentially available to them.

HISTORY OF BRANDING

Beginnings

When and wherefrom did brands emanate?

Branding began many centuries before the term acquired its modern usage. The Greeks and Romans and others before them had various ways of promoting wares or goods, whether they were wines or pots, metals or ointments. Messages were written informing the public that this man, at this address, could make shoes and that man who lived over there, at that address , was a scribe. The Greeks also used town criers to announce the arrival of ships with particular cargoes.

Goldsmiths and silversmiths were identifying their work with personal marks during the middle ages. Artisans usually marked their work with a symbol indicating their unique brand. Later, ranchers in the old West branded their cattle for identification. Since there were no fences until barbed wire was invented, this was the only way to mark their valuable property. As retailing grew and spread, brands became the manufacturers way of marking their goods, with a symbol of their reputation.

Much Earlier advertising and marketing (in the literal sense) were thus done on a personal basis, with the name of a particular individual as important as that of his product or service. Modern development of this can be seen in the name of the private shopkeeper over his shop, and some of the best-known chain stores names have originated as that over a single establishment.

In the earliest days, shop, as distinct from individuals, were quick to sell their wares by using pictures. In Rome, for example, a butcher's shop would display a sign depicting a row of hams.(Figure 1.1), a shoemaker displaying boot, a diary with a crude sketch of a cow.

A Roman Sign found at Pompeii

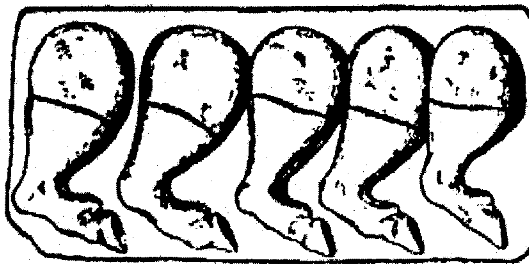


Fig. 1.1

Signs of Seventeenth-century English INNS.

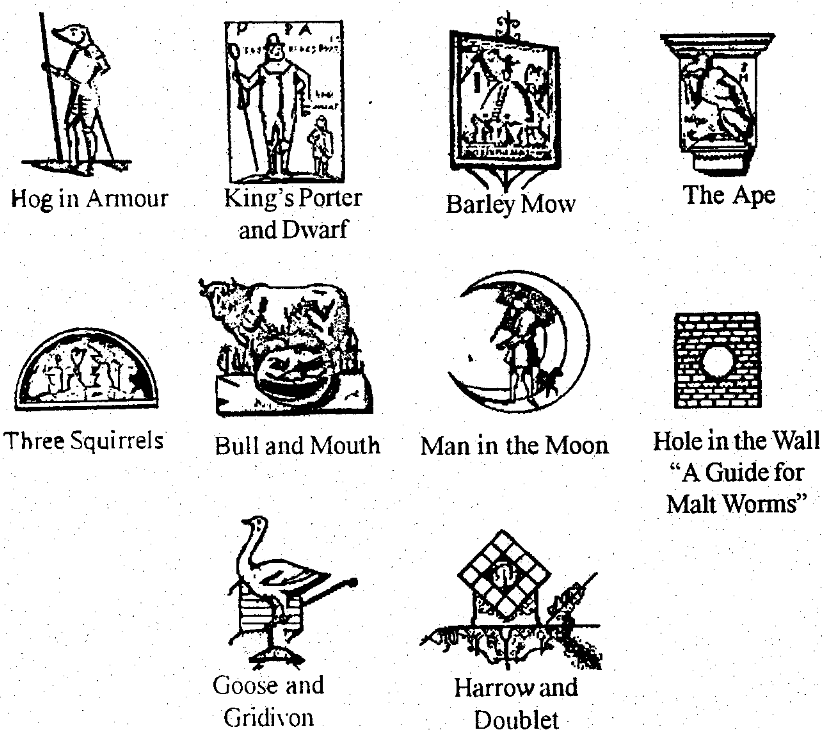


Fig. 1.2

Such pictorial promotion was the forerunner of the many inn and pub signs with which we are familiar today Fig. 1.2. In classical times most potential purchasers of most products were illiterate and would be able to identify a particular product only from a picture. These days also such use of pictorial advertising is exploited in many ingenious ways to accompany a brand name and draw the attention of the public to it. A more sophisticated and literate age has led , too, to the use of visual puns to suggest the brand name concerned; the lance on the Lancia logo, the Shell, the bird's eye in the Birds Eye logo and the nest and nestling that illustrate the Nestle products.

The Three Ages of Brands

The First Age: A brand functions solely to differentiate a product and less often a service from its direct competitors. This is akin to the early rancher's use of branding, when brands on cattle meant nothing more than its owership. Wells-Fargo was the brand of the stage-coach service.

Objective. Capture as large a share of consumers wallets as possible.

The Second Age: The brand starts to detach from and overshadow products and services it presents. Advertising becomes a powerful forçe. Line extensions abound. Consumers buy brands for status value and identity (Nike, Arrow, Polo). Consumers become more fickle and less loyal. Brands become highly valued assets of companies (Coke, Marlboro).

Objective: Capture as large a share of consumer's minds as possible.

The Third Age: Brands become increasingly autonomous, providing a device by which corporations shape the very ideology of the world! Millennial brands begin to evolve, underpinned by an amalgam of information, entertainment, experiences, images and feelings (Intel, Disney). Advertising has grown in volume and importance: $ 39 billion worldwide in 1950 and $ 256 billion worldwide in 1990.

Objective: Capture the largest possible share of consumers lives, and even their souls!

The Growth of Branding

Modern branding and the use of individual brand names have its origin in the nineteenth century. The Industrial Revolution and consequent development of advertising and marketing techniques made selection of a good brand name of great importance. Both in America and Europe, rapid increase in population, expansion of the railways and construction of new factories brought with them a keen public demand for a whole range of newly available products, from domestic goods such as home medicines to electrical and mechanical devices. In fact, the greater the quantity and variety of products, the greater became the demand for them, and this resulted in the need for manufacturers and marketers to choose a brand name that would be effective in as many ways as possible: memorable, pronounceable, original, and, in many instances, directly or indirectly descriptive of the product it denoted. Later, of course, Trade Mark laws were to clarify and impose restrictions on the words of names that could be protected — legal protection was not given equally to all types of brand names.

The followings list (Table 1.2) of top brands shows the range and variety of actual brand names that have emerged successfully.

Leading brands. Based on a survey by Interbrand group, a leading brand counsultancy firm after assessing more than 350 brands according to four criteria viz:

Brand weight. Influence or dominance over competitors in the market (e.g., McDonald's dominance in the quick-service restaurant industry);

Brand length. Successful extension into other markets (e.g., Virgin's development into airline, soft drinks and radio);

Brand breadth. Across age, religion and nationality (e.g., Coca-Cola's world-wide appeal);

Brand depth. Customer commitment (i.e., loyalty to the Body Shop for their enviroñmental values).

TABLE 1.2

Leading Brands

1. McDonald's	26. Harley-Davidson	51. British Airways	76. Hewlett-Packard
2. Coca-Cola	27. Intel	52. Master Card	77. Boeing
3. Disney	28. Body Shop	53. Mitsukoshi	78. Zippo
4. Kodak	29. KFC	54. Fed Ex	79. Casio
5. Sony	30. Heinz	55. AT & T	80. Volkswagen
6. Gillette	31. Toyota	56. Persil	81. Ray-Ban
7. Mercedes-Benz	32. Xerox	57. Heineken	82. Smirnoff
8. Levi's	33. CNN	58. Campbell	83. Budweiser
9. Microsoft	34. Adidas	59. Fisher-Price	84. Philips
10. Marlboro	35. Pillsbury	60. Marks & Spencer	85. Sears
11. IBM	36. Reebok	61. Motorola	86. Pampers
12. Nike	37. Cadbury's	62. Porsche	87. Schweppes
13. Johnson & Johnson	38. Camel	63. Reuters	88. Nivea
14. Visa	39. Chanel	64. Shell	89. Reader's Digest
15. Nescafe	40. Swatch	65. Mattel	90. Kleenex
16. Kellogg's	41. Harrods	66. Honda	91. Canon
17. Pepsi-Cola	42. Colgate	67. Pizza Hut	92. Virgin
18. Apple Computer	43. Toshiba	68. Compaq	93. The Financial Times
19. BMW	44. Mars	69. Fuji	94. Haagen-Dazs
20. American Express	45. Ford	70. Duracell	95. Braun
21. Tampax	46. Time	71. BP	96. Samsung
22. Nintendo	47. Barbie	72. Johnnie Walker	97. Gordons
23. Lego	48. Rolex	73. Polaroid	98. Benetton
24. Ikea	49. Lucky Strike	74. Louis Vuitton	99. Sainsbury
25. Sega	50. BBC	75. Volvo	100. Dr. Martens

***Source** : Interbrand Group*

Branding Today

Modern, sophisticated branding is concerned increasingly with a brand's gestalt, with assembling together and maintaining a mix of values, both tangible and intangible, which are relevant to consumers and which meaningfully and appropriately distinguish one supplier's brand from that of another.

Intangible factors are, however, very difficult to estimate even individually. When a number of such elements are blended together to form that unique creation, a branded product, evaluation of these separate but interrelated constituents is far from easy. Prior to a brand's launch, measuring its likely success is notoriously difficult. Even after launch it may not be possible to ascertain with any certainty the reasons for the success or failure of a brand.

In a sense, branding consists of imposing one's will on the consumer. Consumers would never have conceived of a fragrance called Charlie, or, a mobile phone network called BPL and AT & T. Indeed, the culture or branding when Charlie was first launched was one where most new fragrances carried feminine, elegant, French names and consumers at that time would have specified that any new brand must meet these parameters. Yet Charlie struck a chord with consumers around the world which was attractive and unique. The brand embodied a set of values and attributes which were appropriate, stimulated consumer interest, which distinguished the brand from others and created a unique piece of property for its owners. Charlie, then might be seen as a "power brand", a uniquely successful blending together of qualities and attributes both tangible and intangible. A brand offers a unique set of values and attributes which are appealing and which people are preaperd to purchase, and there is no doubt that Charlie represents for Revlon a valuable asset which has enduring and international appeal.

THE DEVELOPMENT OF LEADING BRANDS

The need to select a brand name that could be as effective internationally and nationally was a factor appreciated early on by companies, and it is interesting to examine the ways in which some of the most famous names originated and to see as to what extent they have actually become effective in the many different languages of the world.

Two well-known names that were created within a year or two of each other (both in the United States) are Coca-Cola (Figure-1.3) and Kodak. The first of these is a meaningful name (descriptive), while the other has no meaning (artificial name).

THE FIRST COCA-COLA ADVERTISEMENT

The name Coca-Cola is based on two of the product's original constituents-extract from Coca leaves and from the Cola nut. That Coca leaves also yield cocaine was a factor that did not then, in the 1880s, concern the manufacturers and indeed originally the drink did actually contain minute quantities of the drug. In the early days it was marketed as an 'Esteemed Brain Tonic and Intellectual Beverage'! Sales of the drink grew so rapidly that its name was soon shortened popularly to Coke. Although this was in effect a further reminder of the original cocaine connection, the manufacturers were keen to stake their legal claim to this version of the name, particularly as other companies were marketing their own versions of the drink under similar names. After a rather complex legal tussle, the company succeeded in its claim, but not until 1920 when the familiar version of the name had been current for several years. The product is today unique in having two equally well-known brand names, one chiefly used for the international market(Coca-Cola) and the other one mainly adopted by English- speaking consumers (Coke). Both the names are,however, of identical legal status in most countries. Even so, the fact that there are no many types of cola drinks on the market(the word 'Cola' is not a proprietary name) constantly prompts the company to remind the public of the interconnection between the two names. Hence the clever slogan of the mid-1980s- 'Coca-Cola is Coke, Coke is Coca-Cola'.

Fig. 1.3

The name has turned out to be an excellent one for the international market. It is certainly memorable, easy to pronounce and write in different languages(even in non-Roman scripts), and has the incisive 'K' sound that is often chosen for effective international use. It also so happens that the elements comprising the name are internationally comprehensible, since 'Coca' and 'Cola' are native words and have been adopted by most major languages in an unaltered form.

Kodak is similarly a successful name worldwide and also has the two effective 'K's. However, unlike Coca-Cola, it is meaningless, but consumers are fortunate enough to have on record the account of the man who created it, explaning how he arrived at the final form. This gives an important insight into the thinking behind an 'artificial' name, and one that is historic of branding standards.

The creator of the name was the photographic pioneer George Eastman, who registered it on 4 September 1888. His account of the creation is as follows:

"I knew a trade name must be short, vigorous, incapable of being misspelled to an extenct that will destroy its identity and, in order to satisfy trademark laws, it must mean nothing. The letter K had been a favourite with me-it seemed a strong, incisive sort of letter. Therefore, the word I wanted had to start with K. Then it became a question of trying out a great number of combinations of letters that made words starting and ending with K. The word Kodak is the result" (Kochan, 1996).

The name became so popular that, like Coca-Cola, it nearly became a generic word for 'Camera' in some countries, and counter-measures had to be taken to prevent this. The generic adoption of a trade name is, of course, not simply a tribute to its success but also a peril inherent in its popularity.

These two names, Coca-Cola and Kodak, were thus established at an early stage worldwide in their originally created form and have retained their prominence even today. There can hardly be a single person in any country who has not heard of one or both of these names.

Sometimes, for legal or other reasons, a brand name will appear in different forms, and sometimes the same product is marketed in different countries under entirely different names. A case in point is that of ESSO. The name originated from the initials (SO) of the Standard Oil Company of New Jersey which was set up as the chief company of Rockefeller's Oil Trust in 1888. However when the trust split up, Standard Oil was obliged to look for another name in those American States where newly formed companies were trading as a result of the dissolution of the Trust. Finally ESSO decided it wishes to revert to the use of a single brand name and, after extensive tests and surveys EXXON was found to be the most easily recognised and protectable name — its distinctive double'X' makes it memorable and easy to write. The name also, of course, hints at the ESSO of the original.

Another example its that of Maruti Udyog Limited, which markets its one model as 'Zen' in India and same 'Alto' in the Gulf and other countries. Recently (year-2000) Maruti has launched Alto in India also with additional features(Zen also exists).

Some Well-Known Brands

The names of man-made fibers comprise a special category of brand names since the word nylon, on which many of them are based, is not a proprietary name. The Du Pont Company devised it in 1938 as a generic name and was itself based on the earlier name rayon. The word rayon is also a generic name and was devised by the National Retail Drygoods Association in 1924 from the word 'ray'. Various other names based on the word nylon, most of which are registered trademarks, have since been adopted in other countries — for example Crepon in France and Dederon in East Germany.

Its is significant that many brand names that came to be known worldwide are either scientific in origin or easily memorable in different languages. Among the scientific names containing classical elements are Aspirin (now generic in Britain and some other countries), based on the German equivalent of 'acetylated spiraeic acid', cellophone (generic in the United States but still a registered trade mark elsewhere), Frigidaire, Klaxon(based on the Greek word meaning 'I will make a loud noise'), Liguaphone, Thermos (generic in the United States since 1963 but still a keenly protected registered trade mark elsewhere) and Vaseline, based on the German for water and the Greek for oil . Among short, memorable international brand names are Berec(the initials of British Every Ready Electrical Company) BiC (Pioneered by the Frenchman Marcel Bick), Biro (invented by the Hungarian Laszlo Biro), Decca (of uncertain origin, but said by some to represent musical notes), Jeep (believed to be from a cartoon character who made the sound'jeep', but later associated with initials of 'general purpose') and Xerox (based ultimately on the Greek word for 'dry').

These names are internationally known because the products themselves have been successfully marketed in different countries.

The most obvious examples of truly international names, however, are those of cars which are exported worldwide and, even more, those of airlines, which are international in the literal sense of the word. Some, understandably, have developed as abbreviations of acronyms of the original name, so that today worldwide recognition has been gained by such names as Qantas (Queensland and Northern Territory Aerial, Service, founded in 1920), and Sabena (Societe Anonyme Belgeed' Exploitation de la Navigation Aerienne, set up in 1923).

The following two examples of salt and greeting cards will illustrate how some commodities have been successfully branded in India.

(I) Captain Cook Salt

Product. In May 1991DCW HPL launched a salt in the name of "Captain Cook" and aimed it at the top end of the market. The product was put in an elegant package.

Target market. Market research revealed that salt was of low importance on the consumer's grocery list. Further, it was found that the consumer associated salt's purity with whiteness, and Tata Salt was then perceived as the best. Captain Cook decided to take a shot at the leader from that position, by calling itself the 'purest and whitest' salt in the market.

Pricing and distribution. The company's biggest gamble was pricing. Captain Cook Salt was priced at Rs. 3 for a 1 kg pack, 50% higher than Tata Salt, and thrice the average commodity price. The product expanded its distribution reach gradually to cover outlets in most parts of India except Kerala and areas of the north-eastern states. However, tackling the trade was not easy. Retailers were reluctant to stock the new brand, as they were apprehensive about the price. Even after offering a commission above Tata Salt, the company had to convince them of their service standards — replacement of spoiled packs and so on.

Advertising. The company launched a high decibel ad campaign to arouse consumer interest in a conceived dull product. The campaign began with teasers warning husbands that their wives were about to fall in love with a mystical man from the high seas. The 'Holy Hygiene' launch commercial showed a ship's captain steering his hungry crew to an island where some food was being cooked, and adding salt to the feast before letting his sailors eat. After that, there was a series of fun-oriented commercials, each a take-off on popular themes. As per the company the brand had a sales of Rs. 3.4 crore at 15,970 tonnes in its very first year. In 1992-93, volumes tripled to 48,410 tonnes valued at Rs. 10.3 crore.

Competitive reaction and search for new USP. To defend its position, Tata Chemical launched a campaign highlighting its modern manufacturing process and also made retail commissions at par with Captain Cook. Consequently, Captain Cook's sales began to stagnate and DWC HPL then decided to go in for another round of consumer research in July 1993. The idea was to develop a fresh selling proposition based on what the consumer really desired of high-value salt. According to the study, housewives were looking for a product, which would not absorb water, form lumps or stick to her hands. It meant that she would opt for free flowing salt.

Repositioning Captain Cook. The product was reformulated with additives to keep the salt drier. Its new campaign, while sticking to its spirit of fun, highlighted the salt's free - flow property. The 60-second film showed a housewife gracefully pouring salt from a Captain Cook packet into a jar. Alongside is a packet of 'ordinary' salt(with a pack design, which looks remarkably similar to Tata Salt,) refusing to flow out smoothly. Captain Cook claims to have reached a sales figure of about 90,000 tonnes (valued at Rs. 25 crore) in 1994-95, which was 50 % more that the previous year's sales. Since the relaunch the prices have been raised to Rs. 5 a kg (Tata Salt: Rs. 4.50 a kg).

(II) Archies Greetings Cards

Archies Gifts and Greetings Pvt. Ltd. dominates the greeting cards market, which was traditionally unbranded.

The market. Archies achieved this position by focussing on two core aspects of product management-*identifying the customer segment and delivering that value by branding.* When Archies started, the cards market was dominated by 30 large, 200 medium and 100 small-time card makers, vying for a somewhat indifferent, small consumer base. The bulk of the market thrived on the more formal, adult or institutional communication. The occasions were largely fixed — season's greetings, birthdays and anniversaries.

At that time both the unorganized sectors and leaders like Tata Press and Vakils targeted the corporate segment, with business centred on festivals. Since the buyer was not concerned with exclusive designs the same design could be replicated in bulk and sold to as many clients as possible. Alternatively, companies simply produced a range of cards and then sold them through as many outlets as they could. There was little effort put in to distinguish the card. Thus, consumers' involvement with the category was low.

Targeting the segment. Before branding the greeting cards, Archies chose to clearly identify a target group that was amenable to a change in habit. The cards business was seen as a vehicle for personal expression — an extension of the individual's personality. They targeted young urban consumers between the ages of 15 to 30 - a segment that was not only trendy, socially active, high on gifting, but also excitable and emotionally charged. To ensure consistent off-take, it was crucial to make card exchange a regular form of communication. So the company designed what it termed *'Cards for every thought'* with messages that were sensitive, humorous, or whacky. The scope of cards for fixed occasions was increased. New 'fixed occasions' — Guru Purav, Bhai Dhuj, Id, Bihu, Parsi New Year etc., were introduced. Cards with simple messages like 'missing you' or 'sorry' were extended into a large, individualistic range. In fact, even regular birthday cards saw an increase in depth, with cards for uncles to grandparents.

Distribution. However, branding in itself was not enough. At that time most cards and gifts were sold from stationery shops and general stores. And invariably, cards took low priority when it came to gaining shelf space. It was felt that the only way to trigger store traffic and impulse purchase was to grab the potential buyer through visual displays and a large variety. It was obvious that unless the cards were placed upfront, the consumer would not be propelled to pick them up. Again , if the product did not move fast, few retailers could be persuaded to specialise in selling cards. So Archies decided to set up its own exclusive retail chain called Archies Galleries. The first one was cleverly located near the University of Delhi. The target customer was college goers and teenagers. As investing in exclusive shops is expensive, Archies decided to set up a franchisee network. However, few retailers would be excited at the thought of selling just one brand of cards, despite the 20 per cent margins. Hence, the initial investment of anything between Rs. 3 lakh to Rs. 9 lakh was thought to be too high.

Line extension at Archies. To turn the business into a viable proposition, Archies carefully expanded the product portfolio by entering into the gift business. The logic: if cards were a form of gift, the same 'mood' will prompt a consumer to look at a broader display of products — cassettes, mugs, jewellery etc. The customer could glance through the range of gift items along with the cards and finally decide on a set of gifts to purchase. In many cases, a customer was found to send a card along with a gift, instead of a staid 'best compliments' card only.

The exclusive outlets are classified either as Archies galleries or gift shops depending on the physical size of the outlet. Spread over a minimum of 500 square feet, each such gallery, keeping with its focus on the youth, seeks to create a colourful and peppy ambience. And great importance was placed on merchandising. The management and stocking of the outlet was left to the local franchisee, since the location and the profile of its clientele influenced it.

Information collected from franchisees also formed a good database for the company. Ideas that click persist, the rest are dropped. For instance, Friendship Day cards were a huge success while Independence Day cards were not.

Other Well-known Brands

1. Vicks Vaporub. In the early 50s Richardson Hindustan Ltd. identified the need for a cold remedy in the Indian market. At that time, Amrutanjan was the market leader in the balm market. The company had to decide whether to position their product directly against the leader or to carve out a separate niche. It was finally decided to position the brand Vicks Vaporub exclusiverly as a rub for colds. Also, realising that the health of a child was the prime concern of parents, Vicks Vaporub was positioned as a rub for a child's cold.This was felt to be the best way of getting it into homes. In addition, this meant further distinguishing it from a balm, because a balm was much stronger and therefore used more often for adults. Vicks Vaporub's milder formulation was in contrast more suitable for children.

In a few years, Vicks Vaporub became the largest selling brand for cold remedies. The success of Vicks Vaporub can undoubtedly be attributed to its proper initial positioning.

2. Ponds Cold Cream. The cold cream market remains highly urbanised with 70 per cent of the sales taking place in the cooler months, between October and March. Initially, Ponds cold cream was positioned as an essential cosmetic item for any urban woman of middle and upper income families. In its advertising campaign, the company projected the theme of discovering one's real complexion in a matter of seven days. Two applications were recommended, the first one for removing the surface dirt and stale make-up, and the second application to reveal natural beauty.

There was a slight shift in the positioning strategy in 1975-76. The new campaign brought out the association of youth with Ponds cold cream. An advertising model as well as a mnemonic portrayed the theme. The copy also referred to the utility of creamy natural oil, required for a beautiful complexion and nourishment of the skin, particularly in winter.

Again following some market research, a further shift in the application based positioning strategy took place. The data collected showed that the need for a cold cream was felt (a) by those trying to overcome dryness of skin; (b) by those who recognised the need for softness and smoothness; and, (c) as protection against the weather. The new positioning, based on the above, was followed through with a new campaign with the following headline;

"Laugh dry winter skin away with cold cream by Ponds"

The advertisement emphasized the extra rich natural oil content of Ponds cold cream which would help provide the required moisture for curbing dryness of skin. The bottom line of the advertisement once again repeated the message:

"extra rich with beauty oils your skin needs in winter"

3. Rasna. The initial response to the Rasna launch was quite poor. In 1982, four years after its launch, sales declined from Rs. 2 crore, to Rs. 80 lakhs. In 1983, an advertising agency was given the task of repositioning Rasna. Previously it had been positioned for the housewife, generally perceived as the decision-maker in the purchase of such products. The new positioning strategy incorporated the influence(the child). While the initial positioning thrust of taste and economy remained, the quality of ease in preparation was added. The ad campaigns showed children asking their mothers to buy Rasna for the whole family. Some of the famous slogans were: "I Love you, Rasna"; "My daddy loves......... no, no, not coffee, ... not tea....... but Rasna", "Serve with love, care and ice". The positioning with respect to economy was reinforced by ad campaigns talking of home magic: "just one under-pack of Rasna makes 32 glasses of delicious soft drink". In 1989, Rasna was a Rs. 25 crore brand with an 85 percent share of the soft drink concentrate market.

4. Titan. Titan's range of watches has been positioned towards the design and fashion-conscious customer. As the Titan's ad copy puts it, "those from either the classic elegance of gold with leather; or the galmour and glitter of only gold; or the business-like look of steel; or even trendy casual". The consumer is thus offered a wide range of models to choose from.

In India, when watch smuggling had reached astronomical levels, Titan positioned itself against imported watches. The ad copy said, "should you really trust an imported watch when you can get a genuine Titan quartz"? It went on to list Titan's range of collections, widespread after-sales-service and the assurance of years of faultless performance with the backing of the Tata name.

5. Pan Parag. Pan Masala even before the introduction of Pan Parag was in use, although as an unbranded product. Every pan seller had his own recipe and catered to a small group of customers.

It was in this scenario that the branded pan masala Pan Parag was introduced. The product was initially packaged in cylindrical tins, which came in two sizes. The unwieldy cylindrical shape did not suit those who were mobile. When the company realized this, it brought out modification — the same product in handy, easy to carry plastic pouches. The company found that the relaunched product supported by a new advertisement campagin had become quite a fad. Sales volumes increased dramatically. The success of the product may be judged from the number of 'me-too' brands which subsequently entered the market.

SELECTION OF BRAND NAME

The selection of brand name is closely related to the desired positioning and a number of other considerations. A good brand name should basically possess qualities of distinctiveness. That is, it should be short, noticeable, impressive, easy-to-remember and should stand out among a host of competing names. For example, names like Usha, Lux, Rin, Vim, etc., satisfy the condition of being short and easy to remember words. Brands names like Hotshot, VIP, Amul, etc., have earned a reputation for good quality. In selecting a brand name, managers should ask themselves what they want ot achieve from it. Should it be descriptive, reassuring, evocative, or should it convey certain qualities or benefits derived from using these products?

Features of an Ideal Brand

A good brand name should be

- Short, simple and easy to pronounce; e.g. Tide, Crest, Surf, Rin, etc.
- Easy to recognise and remember; e.g. Kodak, Bata, Zen etc.
- Shows the utility of the product; e.g. Quick-fix, Brand-Aid etc.
- Not carry poor meanings in other countries and languages. E.g. Nova is a poor name for a car to be sold in Spanish speaking countries, it means doesn't go.
- Pleasing when pronounced e.g. VIP, Hotshot etc.
- Not offensive, obscene or negative.
- Adaptable to packaging, labelling requirements and to any advertising medium;
- Free from complicated matters relating to fashion, style or individual tastes of customers.
- Of permanent nature i.e., should not be changed once selected e.g. Lux.
- Describe the complete picture of the product e.g., Plano for Samsung Digital Flat TV.
- Clear and attractive.
- In accordance with the law of the State.
- Pleasing to the eyes and the ears.
- Suggest product qualities such as action or colour e.g. Sunkist, Span Firebird etc.

Box 1.3

A study of 97 large manufacturing firms has provided some important information on how companies actually go about selecting brand names for consumer products. Table 1.3 shows the criteria

used in selecting brand names. This table indicates that a brand name, which was descriptive of the product's benefits, was the most important criterion used in selecting a brand's name. Over a third of the firms reported using whether the brand name was memorable, if it was compatible with the company's image and other products's images, and whether trademark availability was present.

Table 1.4 shows the internal departments and external firms that are used in selecting brand names. Product (or brand) managers were indicated as the most frequently use internal department (70.7%), followed by the marketing department (56.1%) and the marketing research (42.7%). Ad agencies were by far the most widely used external firm in selecting brand names (70.7%).

Other important results of this study include:

(1) The most prevalent process in selecting brands names involved (i) identifying the objectives to be achieved by the brand name, (ii) generating brand names (iii) screening the brand name alternatives, (iv) researching consumer reactions to the various brand names, (v) instituting a trademark search, and (vi) selecting the final brand name.

(2) The most frequently used method for generating brand names was brain storming.

(3) 71% of the companies indicated that they usually selected their brand names during the development stage of the product.

(4) Focus group interviews were used by approximately one-third of the companies when customers were asked to evaluate brand names.

(5) 63% of the firms indicated that they gave one person final authority for the brand name.

(6) The person generally given final authority for the brand name was the president (56%), followed by the vice-president of marketing (33%).

TABLE 1.3

Criteria Used as Guides in Brand Name Selection

Criteria	*Number of Firms using (N=82)*	*Percentage*
Descriptive of product benefits	48	58.5
Memorable	38	46.3
Fit with company image and other products image	38	46.3
Trademark availability	28	34.1
Promotable and advertisable	18	22.0
Uniqueness vs. competition	18	22.0
Length	13	15.9
Ease of pronounciation	12	14.6
Positive connotations to potential users	11	13.4
Suited to package	5	6.1
Modern or contemporary	3	3.7
Understandable	2	2.4
Persuasive	2	2.4

Source: James U. Mc Neal and Linda M. Zeren, "Brand Name Selection for Consumer Products," Business Topics, Spring, 1987, p. 37.

TABLE 1.4

Departments and Outside Firms Used in Brand Name Selection

Internal Departments	*Number of Firms using (N=82)*	*Percentage*
Product/brand management department	58	70.7
Marketing department	46	56.1
Marketing research department	35	42.7
Legal department	23	28.0
New products department	14	17.4
Advertising department	8	9.8
Sales department	7	8.5
Research and Development department	4	4.9
In-house creative group services	3	3.7
Styling department	2	2.4
External Firms		
Ad agency	58	70.7
Outside Consultants	11	13.4
Trademark search firms	5	6.1
Package design firms	4	4.9

Source: James U. McNeal and Linda M. Zeren, "Brand Name Selection for Consumer Products," *Business Topics, Spring,* 1987, p. 37.

What's in a Name

To build a big brand, adopt a short brand name:

How easy is it to ask for your brand? When some one wants to buy it, can he identify it easily or must we juggle with a mouthful of syllables before he can be understood?

All brand names come with an oral fee. Tongue-twisters will have trouble climbing off the shelves. On the other hand a brand name with a few syllables will roll off the tongue of the most simple consumer.

Rin, Surf, Lux, IBM, 3M, Honda, Frooti, NIIT, IIM, Sony, Carrier, Compaq, Polo are the list of short names that have been built into mega brands and the list can go on and on.

On the other hand, complicated names are shortened as otherwise they keep away the consumer. International consumers either find brands like Ultra Doux difficult to pronounce or find names such as Larsen & Toubro very long and cumbersome, leading them to shorten it, for example, to L & T.

In a recent case, (Year 2000-2001) the highly popular international programme, Who Wants To Be A Millionaire? was launched in India in an avataar called Kaun Banega Crorepati? The programme is doing exceedingly well and consumers had quickly shortened its name to KBC, which is how it is popularly known today.

Even in the news, entertainment and education world, whether international or Indian, a Turner Network Television had become TNT, Cable News Network becomes CNN and Harvard Business Review become better known as HBR. The abbreviations are far easily digestible and have been established as brands in that form.

In order to build a big brand, then, have a short brand name since it offers plenty of advantages.

- First, since it is easily pronounced, consumers are at ease with it and can ask for it comfortably.
- Second, it helps increase recall amongst the clutter of competitive brands.

- Third, in the Internet Age, it is easier to key in a yahoo.com or an amazon.com than a mykindasite. com or a youpicktheflick.com.
- Fourth, in terms of consumer psychology, consumers are better able to retain the original essence of the brand if it is a short one and not tamper with its identity. This helps the original brand personality to be consumed as it was conceived.

A recent example (year 2000) of an entertainment and movie channel brings home the point powerfully. B4U first launched music channel and, few months later followed it up with a movie channel under the same brand name. Its catchy, short brand name has made it visible and the brand has been highly successful even though it did not have the first mover advantage, both MTV and channel V having been in the market for many years now, each with a good following and successful brand names.

With almost one-sixth of the world's population, India is a large music and movie market, nationally and internationally. India is also the largest producer of feature films in the world and has a vibrant firm industry known as Bollywood. B4U has managed to establish itself in the minds and hearts of the music and movie viewers in an extremely short span of time. Its small, catchy, consumer-friendly name has easy recall and consumers are using it again and again.

Thus, one can go on and on with examples whether in the music world, where His Master's Voice became HMV, or in the IT World where Hewlett Packard is HP to millions of consumers all over the world.

Small brand names are, by and large, easy to pronounce. They are easy to digest, easy to remember and easy to ask for. And in India, where there are a plethora of languages, a short name has many more in-built advantages including facilitating its smooth spread from city to city, and region to region. It is also accepted more readily.

Another advantage of a short brand name is that it cuts across segments like a hot knife through butter. Men, women and children feel at home with it.

It is easier, therefore, to build a big brand when it is a short brand name.

COMPANIES PERSPECTIVE ON BRAND NAMES

Companies follow different policies in choosing brand names for the wide range of products they market. These are:

I. **Individual brand names.** Businessmen are not particular either about their own name or that of their family. They select any distinctive, attractive, simple name for each of their offerings. For instance, Hindustan lever, HMT etc., have been following this method of giving different names to each of their products. There are many reasons why some companies do this. Firstly, products marketed by a company may become diverse; and hence, they require distinct names. Secondly, they may wish to market their combination of product to different market segments. Sometimes they may have multiple brands of a product, which compete with each other. It makes sense to pursue this strategy of individual brand names for each offering. In cigarette business, ITC has a large number of brands covering almost all price segments and this enables it to have inter brand competition; in the process a competitor finds it very difficult to carve out a niche.

Example:

HLL:-REXONA, LUX, LIFEBUOY, PEARS, CLOSE-UP AND SURF,

GODREJ-EVITA, KEY, VIGIL, GANGA, CROWNING GLORY AND CINTHOL.

II. **Family branding.** Some companies use a common or successful family name, also known as Umbrella branding for several products. For instance, Ponds is a mother brand name used for shampoos, talcum powder, cold creams and toilet soaps, etc. Family brand strategy is usually persued to derive the best advantage of the goodwill attached to same erstwhile successful brands name. For example, the name Amul has been used to market a large variety of diary

products. Similarly, the success of North Star led to Bata using this common name for a host of casual footwear, T-shirt and bags.

The use of the family branding strategy does not always guarantee success. There are many instances where this strategy has failed. Ponds launched its toothpaste, using a distinctive flowered pink packaging, which is associated with its talcum powder with the same family brand name. Market survey revealed that this toothpaste had failed despited ponds name. Similarly, the success of Maggi noodles probably prompted Food Specialities Ltd. (now Nestle India Ltd.) to launch their sauces under the same brand name. But this apparently caused focussing problems to many consumers. It is even confusing the shopkeepers in making out whether a consumer is asking for Maggi noodles or Maggi sauces. Though it may be argued that these cases of failure are due to other reasons, the fact remains that despite using an established family brand name, these products failed. The lesson one derives from these two cases is that it is risky to launch a new product under the brand name of another highly successful product. In fact, if successive products under a family brand name do not perform well, the established goodwill or image may suffer. The strategy of using a common family brand name will be perhaps more effective in marketing new variations of the basic product. For this reason, New Liril, Cinthol soap with an improved perfume and Cherry Blossom in liquid form were well accepted in the Indian market.

Because there is a common brand for different products of different nature the company can enjoy low promotional and publicity costs.

Example:

KISSAN: - Squashes, Sauce, Jams, and Ketchup.

L & T: Switches, Control gears, Change-over switches and Telecommunication equipments.

III. Manufacturer's Brands. Consumers in buying such products, relied upon the reputation of the brand as well as the integrity of its owner. e.g. Bedeker Masala or pickles are very well known all over the country. Similarly, the corporate names of Godrej, Tata etc. have been used to market a wide variety of products so also manufacturers of paints, textiles and several industrial products often resort to this practice.

Example:

TATA- Soaps, Chemicals, Textile and Engineering goods,

IV. Alpha numeric names. In many industrial products, an alpha-numeric name often signifies its physical characteristics, performance and technical specifications. In marketing products like machinery, two wheelers, personal computers, etc., the use of alpha-numeric names often enables companies to distinguish variations in different models, features, etc. Organisations like Maruti, Modi Xerox, Bajaj Auto, Wipro, Telco have resorted to this practice to create some distinctive identity of their products.

Example:

MARUTI UDYOG LTD. — Maruti 800 standard, Maruti EX 800, Maruti 800 DX.

ADVANTAGES AND DISADVANTAGES OF BRANDING

I. Advantages to Buyers

(i) A brand name denotes uniform quality. With it, the consumer has the assurance of quality when he buys the products having a particular brand name.

Buyers feel that well-known firms have a reputation to maintain and resources to do so. Again, when the product is unknown to the consumer and his risk is high, company reputation becomes an important criterion in his decision-making process.

(ii) Brand names make shopping easier. The customer has to spend less time and energy in buying, as brand names make product identification easier. Moreover, the customer has just to go to the market and buy the products of the brands he prefers without wasting time. Also order can be placed telephonically or through Internet.

(iii) Competition among brands can and does, in due course of time, lead to quality improvement.

(iv) Purchasing a socially visible brand gives immense psychological satisfaction to the buyer.

II. Disadvantages to Buyers

(i) The product price tends to go up.

(ii) Manufacturers, taking advantage of the popularity of their brand names, may reduce the quality gradually.

(iii) Branding creates confusion. Consumers are not able to decide which brand is the best in quality, because all the brands claim to be the best ever in quality.

III. Advantages to Manufacturer/Marketer

(i) Branding simplify sales promotion. They are easily recognised by consumers when displayed in a store or included in advertising. Thus, there develops a concept of brand loyalty and sellers are able to exert quasi-monopolistic power.

(ii) Branding enables the firm assured control over the market. Repeat sales are stimulated and product substitution is not possible. Even in the absence of advertisement, consumer remembers brand names.

(iii) Branding by differentiating a product from its rival's enables the brand owner to establish his own price which cannot be easily compared with prices for competing goods. Price comparison is very difficult and the firm has independency in price fixing.

(iv) In a highly competitive market, brand names can carve out niches for themselves through product differentiation.

(v) If a firm has one or more lines of branded goods, it can add a new item to its list easily and the new item can enjoy all the advantages of branding immediately.

(vi) Branding gives greater bargaining power to the manufacturer with the dealers. This is because there is already a 'pull' in favour of the product; there may be no need for a great 'push' by the retailers.

IV. Disadvantages to Manufacturer/Marketer

(i) Even after incurring of additional cost, there is, no guarantee to the success/popularity of the brand.

(ii) There is no pricing freedom for the retailers, i.e., profit margin is narrow. The retailers sometimes promote local/ unbranded products for which profit margins are higher.

STRATEGIC ASPECTS OF BRANDING

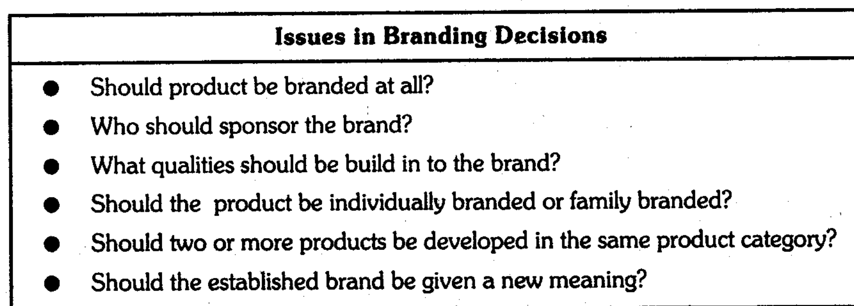
Branding Decisions

In developing a marketing strategy for individual products, the seller has to confront the branding decision. Branding is a major issue in product strategy. On the one hand, developing a branded product requires a great deal of long-term investment spending, especially for advertising, promotion and packaging. Many brand oriented companies subcontract manufacturing to other companies. For example, Taiwanese manufacturers countribute a lion's share of the world's clothing, consumer electronics, and computers, but not under Taiwanese brand names.

On the other hand, manufacturers eventually learn that market power lies with the brand name companies. Brandname companies can replace their Taiwanese manufacturing sources with cheaper sources in Malaysia and elsewhere. Japanese and South Korean companies realized this and spent liberally to build up brand names such as Sony, Toyota, Goldstar, and Samsung.

Even when these companies can no longer afford to manufacture their products in their homeland, the brand names continue to command customer loyalty.

Philip Kotler has listed various questions to be considered for making brand decisions, especially for consumer products (Box No.1.4)

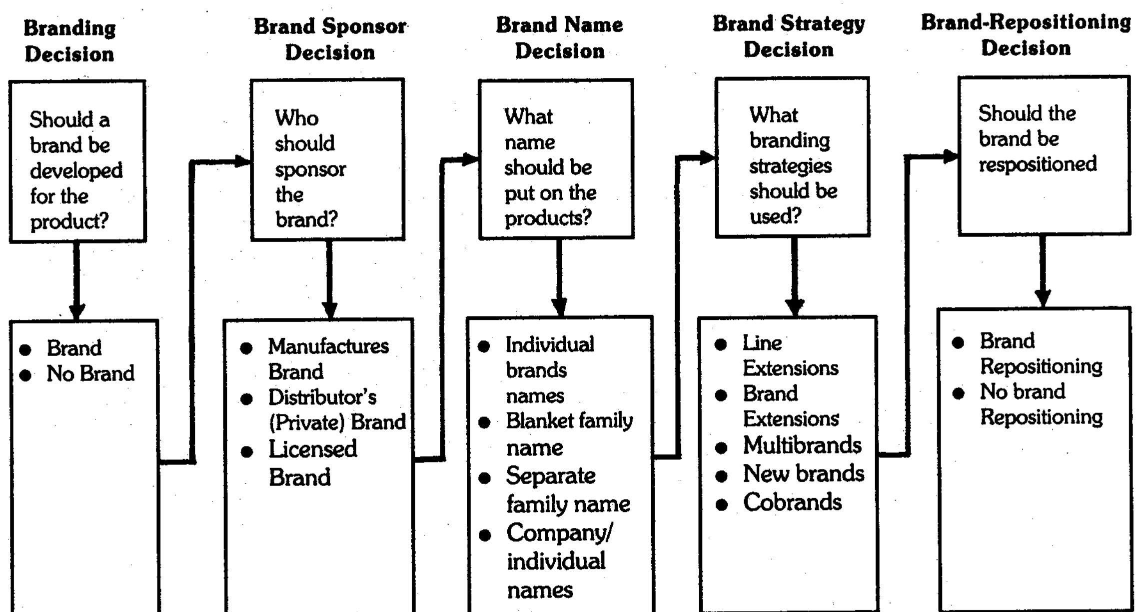


Issues in Branding Decisions

- Should product be branded at all?
- Who should sponsor the brand?
- What qualities should be build in to the brand?
- Should the product be individually branded or family branded?
- Should two or more products be developed in the same product category?
- Should the established brand be given a new meaning?

Box 1.4

AN OVERVIEW OF BRANDING DECISIONS



Source: Kotler, Marketing Management, 1997, p. 446.

Fig. 1.4

Branding Strategies

Both producers and middlemen face strategic decisions regarding the branding of their goods or services.

I. Producer's Strategies

Producers must decide whether to brand their products and whether to sell any or all of their output under middlemen's brands.

(i) Marketing Entire Output under Producer's Own Brands. Companies that rely strictly on their own brands usually are very large, well financed, and well managed. Tata, Godrej and Philips for example, have broad product lines, well established distribution systems, and large shares of the market. It's particularly difficult for a new firm to employ this approach. Only very few manufacturers employ this strategy, and the number seems to be decreasing. A primary reason is that there are lots of opportunities to make products to which middlemen apply their own brands.

(ii) Branding of Fabricating Parts and Materials. Some producers use a strategy of branding fabricating parts and materials (manufactured goods that become part of another product following subsequent manufacturing.) This strategy is used in marketing many automotive parts such as spark plugs, batteries and oil filters. Du Pont has consistently and successfully used this strategy notably with its Teflon non-stick coatings, Lycra spandex fibre, and Stainmaster Stain repellent for carpets.

With this strategy, the seller seeks to develop a market preference for its branded parts or materials. This strategy is most likely to be effective when the particular type of fabricating parts or materials possesses two characteristics:

- The product is also a consumer goods that is bought for replacement purposes e.g. Mico Spark Plugs.
- The item is a key part of the finished product e.g. a microprocessor within a personal computer. Intel corporation developed the slogan 'Intel Inside' to strengthen its product's position.

(iii) Marketing under Middlemen's Brands. A Widespread Strategy among manufacturers is to sell part or all of their output to middlemen for branding by these customers. For a manufacturer, the output produced for middlemen's brands, instead of its own brands, ordinarily represents additional sales.

II. Middlemen's Strategies

The question whether to brand must also be answered by middlemen.

(i) Carry Only Producer's Brands. Most retailers and wholesalers follow this policy. The reason behind this is that they do not have the finances or other resources to promote a brand and maintain its quality.

(ii) Carry Both Producer's and Middlemen's Brands. Many large retailers and some large wholesalers have their own brands. Middlemen may find it advantageous to market their own brands because it increases their contact over their large markets. If customers prefer a given retailers brand, sometimes called a store brand, they can get it only from that retailers store.

(iii) Carry Generic Products. In the late 1970, several supermarket chains introduced products sold under their generic names. Generic products are simply labelled as 'Khamang Dhokla', 'Urad Papad' and so on. These unbranded products generally sell for 30 to 40 per cent less than producer's brands, and 10 to 20 per cent less than retailers' brands. They appeal to the most price conscious consumers. Although they are the nutritional equivalent of branded products, generics may not have the colour, size and consistency of appearance of branded items.

Generic products captured a large enough share of total sales in some product lines, to be a major factor in the battle of the brands.

III. Strategies Common to Producers and Middlemen

Producers and Middlemen alike must choose strategies with respect to branding their product mixes and branding for market saturation.

1. **Branding within a Product Mix.** At least three different strategies are used by firms that sell more than one product:

- A separate name for each product: This strategy is employed by HLL and Proctor & Gamble for their brand most familiar with the other.
- The Company name combined with a product name : Examples include Johnson's baby soap and Johnson's baby powder and Kellogg's Rice Krispies and Kellogg's Corn Pops.
- The Company name alone: Now-a-days few companies rely exclusively on this policy. Using the company name for branding purposes, often termed family branding makes it simpler and less expensive to introduce new, related products to a line. Also, the prestige of a brand can be spread more easily if it appears on several products rather than on only one.
- The Company name is best suited for marketing products that are related in quality, in use or in some other manner. The name is chosen as the brand for the company's e.g. Kissan-Squashes, Sauces and Jams.
- Branding with the company name places a greater burden on the firm to maintain consistent quality among all products. One bad item can reflect unfavourably, even disastrously, on all other products carrying the same brand. For this reasons, many companies prefer to let each individual product succeed or fail on its own.

2. **Branding for Market Saturation.** More and more frequently, firms are employing a multiple-brand strategy to increase their total sales in a market. They have more than one brand of essentially the same product, aimed either at the same target market or at distinct target markets. Suppose, for example, a company has built one type of sales appeal around a given brand. To reach other segments of the market, the company may use other appeals with other brands.

   The essence of brands strategy is to build up steadily the brand franchise or privilege. Branding enables a company to influence customers and develop customer preferences towards brands. Advertising and sales promotion can create initial brand awareness and recognition. Then it can develop brand preference and if possible, brand loyalty. The most desired objective is, of course, brand insistence. It is the stage when consumers so prefer a given brand that they will insist upon buying it and will not settle for a substitute.

   A seller has a brand franchise, if customers exhibit brand insistence, brand loyalty, or brand preference toward his product or service, rather than gaining more brand awareness or recognition, a seller would always try to move buyers from brand awareness to brand preference, loyalty and insistence. Brand preference indicates that a customer regards the brand favourably but will accept a substitute if the said brand is not available in the shop.

   Brand recognition indicates the consumer's favourable attitude towards the brand. This is the minimum expectation of the advertiser while developing brand franchise.

Strategies Relevance of Branding

Brand is much more than the name *per se* or the creation of an external indication that the product or service has received an organisation's imprint or its marks. Box. 1.5 outlines the strategic relevance and logic of branding.

Strategic Relevance and logic of Branding
A brand
• aims to segment the market
• starts with a big idea
• has an enduring value
• tries to protect the innovation
• is a living memory
• shall sustain though the product may die

Box 1.5

A Brand Aims to Segment the Market. Brand building is a part of a strategy aimed at differentiating the offering companies try to better fulfill the expectations of specific groups of customers. They do so by consistently and repeatedly providing combination of attributes-both tangible, practical and symbolic, visible and invisible values under that are economically viable for the company. The company wants to leave its mark on a given field, and sets its imprint on the particular offering.

A Brand Starts with a Big Idea. The first task in brand building : defining just what the brand infuses into the product or service. Branding, however is not based on what goes on but what goes in. The result is an augmented product or service, which must be indicated in one way or the other if it is to be noticed by potential buyers, and if the company is to reap the fruits of its efforts before it is copied by others.

A Brand has an Enduring Value. If a brand is merely a label, then such a product will lose its value as soon as it loses its sign of brand identification. Instead, it continues to incarnate the brand: the brand's passing presence has transformed the product. This explains the value or Lux soap when it carries the HLL label for the past 75 years, similarly, Adidas shoes, stripped of its name will hardly see much consumer pull. They are worth more than counterfeit imitations because the brand image is present even when it cannot be seen. In contrast, though the brand level may appear on an imitation, it will actually miss the undercurrent of consumer's personal attachment with the offering.

A Brand Tries to Protect the Innovation. Brands become known through the products they create and bring on to the market. Whenever a brand innovates, it generates 'me-too-ism'. Any progress made quickly becomes the standard to which buyers become accustomed to. Competing brands must often follow through and at times bring out improved versions as they do not want to fall beneath the market expectations. For a short time, an innovative brand enjoys monopoly, but it will be a fragile one unless the innovation is patented or patentable. In other words, the role of a brand name is to protect the innovation — it creates a "mental" patent. This is nothing other than the just reward for innovation, making an effort, and taking risks.

A Brand is a Living Memory. The spirit of the brand can only be inferred through its products and its advertising. The content of the brand grows out of the cumulative memory of various acts, provided

they are governed by a set of unifying ideas or guidelines. The importance of memory in encompassing a brand explains why its image can vary structurally from generation to generation.

A Product may Die but the Brand will Sustain. A brand protects the innovator, granting momentary exclusiveness and rewarding the willingness to take risks. Brands cannot be reduced to a symbol or a product or a merely graphic and cosmetic exercise. A brand is the signature on a constantly renewed, creative process. Products are introduced, they live and disappear, but the inner or core value of the original brand endures. This consistency of creative action is what gives the brand its meaning, its contents and its character. Creating a brand requires time to build up that identity.

Competition and Branding

The Indian market is going through a period of upheavals. The winds of liberalisation or the opening up of the market have brought about changes that would have been unimaginable a decade ago. As barriers come down, new players both from India as well as abroad are entering in different products. The competition is becoming fierce where erstwhile players are trying to protect their turf while new ones are making every effort to gain a foothold.

While the effect of liberalisation is manifold in nature, the following are the significant developments visible in the new era from the marketer's angle.

(*i*) Turnover of companies have substantially increased after 1991-92—an indication of enormous untapped opportunities of the Indian Market.

(*ii*) Many firms have decided to upgrade their offerings to keep pace with the competition.

(*iii*) Consumers are getting a wider choice and the quality of many products has improved substantially.

(*iv*) Cost of operation has substantially gone up and companies are resorting to innovative vehicles of advertising and promotion, e.g., HLL, Reckitt and Coleman are using video vans to promote their products in the rural markets.

(*v*) Some companies like Ranbaxy, Arvind Mills, Dabur, Onida etc. have entered the export market to make their operations globally competitive.

(*vi*) Speed of response in marketing has become an essential order of the new competition.

(*vii*) Increased competition forcing death of inferior brands, takeovers and the closure of inefficient firms.

The battle is on across all the products — be it consumer non-durable, consumer durable or the service industry — though the degree or nature of the battle may vary. In the end, companies are trying to get closer to the customer. Generally speaking, they are trying to know his/her needs. The market place, therefore, has seen a flurry of new activities — in the form of new product launches, brand extensions and brand repositioning etc. Fig. 1.5 briefly outlines the new domestic competition perspective.

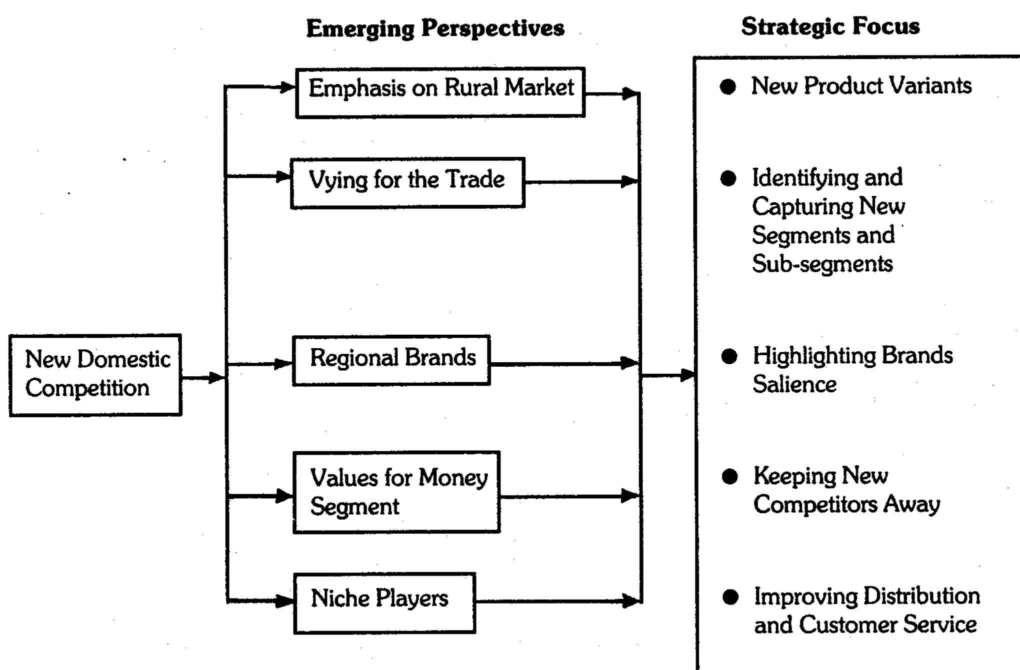


Fig. 1.5

Strategic Response to New Competition

Of late, the market has been witnessing a lot of hectic activity. International brands have come in a wide gamut of product categories. To name a few, Kellogg's in breakfast cereals; Baskin Robbins and Walls in the ice cream market; IDV, Seagram in the Liquor segment; Sony, Akai, Panasonic, Goldstar in the colour television market; Revlon in cosmetics; Henkel in the detergents business; Heinz in the foods sector, Morgan Stanley, Meryll Lynch, Alliance Capital in the financial service sector. But these giant MNCs are not having it easy. They are fighting an intense battle to get a foothold, while the existing players are putting in all their counter strategies in this battle for survival.

The erstwhile companies are being forced to tighten up their belts with the entry of internationally famous brands into the Indian market. Established Indian brands are facing their biggest challenge and are drawing up plans and chalking out strategies to protect their market base. At one end of the spectrum are companies like Tomco and Parle which have gone in for straight mergers and tie-ups. And at the other end, companies are beefing up their strengths to stay independent. Lakme, in a seemingly pre-emptive move, introduced the Orchids as a premium range of cosmetic products. Likewise, Balsara are increasing their distribution network and searching out a herbal route to call their own. Others like Sonodyne, Ranbaxy and Dabur have invested heavily in R & D, which is expected to pay off in terms of more competitive products.

Entry Strategies of MNCs

Multinational corporations are taking over many viable Indian Companies and acquiring some of their popular brands even by paying hefty sums for them. For example;

- Thums Up and associated brands like Limca and Gold Spot were sold to Coca-Cola for a price of Rs. 180 crore. Coke's archival Pepsi took over Dukes, the Bombay based owner of soft drink brands such as Mangola?

- Heinz took over Glaxo's foods business for Rs. 210 crore;
- Colgate bought Ciba-Geigy's Cibaca range of toothpaste and brushes for Rs. 131 crore.
- B.M. Khaitan's Mcleod Russell acquired at 51 per cent stake in Union Carbide India, the makers of Eveready batteries, for Rs. 290 crore.
- Brook Bond-Lipton acquired Dollops ice cream business and Kissan Jam.

The emerging strategic focus arising from international competition is outlined in Fig.1.6.

Emerging Strategic Focus from International Competition

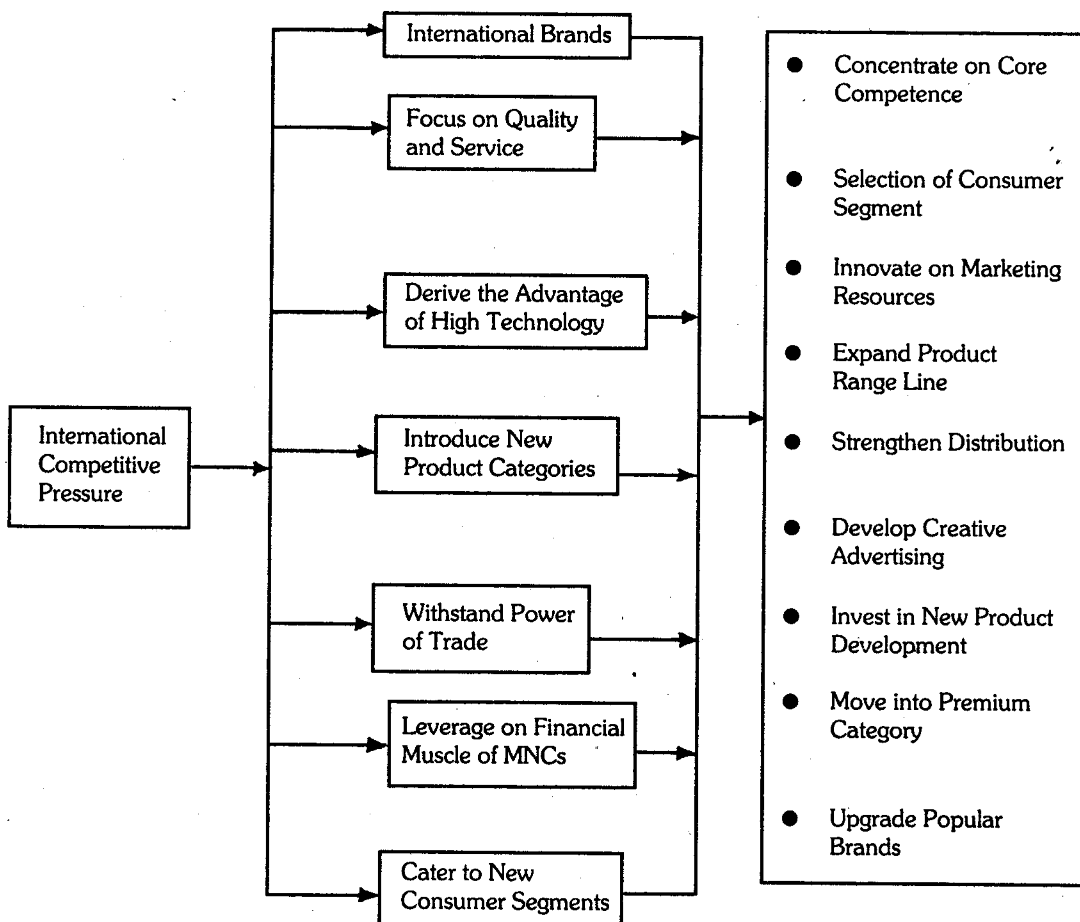


Fig. 1.6

Assessing the New Competition Across Businesses

Selected Consumer Non-durables. In non-durable products, a real battle over brands is on. There are established brands, international and just launched new brands. For example,

I. Toilet Soap. In toilets soap, there are several old brands such as Lux, Liril, Rexona, Lifebuoy, Pears, Hamam, Moti, Jai, Cinthol, Mysore Sandal and Margo.

Still during the nineties a large number of premium brands were launched such as Dove, Camay, Lifebuoy Liquid , Le Sancy. It is evident that the intensity of competition in the toilet soap markets has shifted to the premium segment as well.

II. Detergents. The synthetics detergent market is another case of intense competition. Synthetic detergents are marketed in the form of powder, liquid and solid cake. On the one hand, detergents are fast replacing the ordinary washing soaps. But, on the other hand, the competition among various brands like Surf, Ariel, Nirma, Wheel, Key etc. reached a peak height because of the large quantum of business involved.

III. Toothpaste. In the toothpastes market the major battle was confined to brands like Colgate, Forhans, Close-Up, Pepsodent, Promise, Babool etc. Colgate was the market leader and others were far down the ladder. However, the launch of Gel toothpaste added new dimensions to this already competitive dental cream market.

IV. Soft Drinks. The soft drinks market in India has undergone a major shake up as a result of the entry of two well-known multinational companies, namely, Coca Cola and Pepsi. This has resulted in the decline of Campa Cola and buy-out of Parle drinks. Now the competition is virtually confined to Pepsi and Coca-Cola. Both companies are following aggressive marketing strategies to win over customer loyalty.

Selected Consumer Durable

Presently there are at least 20-25 national as well as international manufacturers in any durable product. It is predicted that in the long run many will quit the field or become mere ancillary suppliers. For instance, in the case of colour television the competition has become extremely fierce with the entry of foreign brands like LG, Sony, Goldstar, Grundig, Thompson etc.

I. Passenger Car. The passenger car market has recently undergone a phenomenal change with the entry of new car models as a result of collaboration between many Indian companies with different foreign car makers. The car market, which was once dominated by Ambassador and Premier Padmini, was taken by storm when Maruti models cornered a major share of the market. In the next phase new international car makers like Daewoo, GM (Opel-Astra), Ford, Peugeot, Fiat, Mercedes etc., have come in the luxury segment. What will be the fate of so many renowned car marketers? The result is being keenly awaited by all.

II. Two Wheelers. The two-wheeler market, which was virtually dominated by handful of models made by Bajaj Auto Ltd.., has grown phenomenally since the mid-eighties. The introduction of 100 cc bikes has changed the complexion of two wheelers in India. It has become the favourite among the youth here. Of late, LML is giving a tough competition by introducing the latest and technically superior models of scooters. The introduction of different brands like Hero Honda, Yamaha, Kawasaki Bajaj, Suzuki etc. have made the two-wheeler market very competitive.

III. Personal Computers. In the computer industry, competition has intensified tremendously in recent years. Till 1982, there were hardly a handful of firms selling computers in India. By 1984, the number had swelled to more than 20. The number of new companies rose to 150 in 1984-85 and further to 300 in 1985-86. Firms like Uptron, Keltron and Usha Microprocess Controls who were earlier selling agents of foreign computers gradually started their own manufacturing and gradually new group of firms like Hindustan Computers, PCL, Zenith, Wipro and PST launched by computers professionals entered the computer business. All these firms were keen to have the maximum share of this growing market. The intense competition has, on the one hand, led to the launch of more sophisticated PCs, and at the same time it saw a crashing of prices. In some segments of the business, a real price war is on. The increased use of advertising campaigns by the leading computer marketers is another indicator of fierce competition. Till today (Year 2000) the position is that PCL is out of the market, DEL has merged with Compaq and Compaq are now into server also.

Selected Service Business

I. Financial Services. The opportunities thrown up by liberalisation have seen the birth and growth of many kinds of financial services in India. Major players are trying to provide a whole gamut of financial services in order to attract their customers. A number of banking and non-banking financial

institutions have started building up capabilities to offer all kinds of financial services under one roof, e.g. — HDFC — the country's premier housing financial institution — has forayed into consumer finance and also set up the HDFC Bank. HDFC has created an enviable brand name and service delivery reputation. Citibank, which positions itself as a global bank offered a whole range of financial products for the retail and corporate spectra. Such has been the wave of mega-marketing that even some nationalised banks like Canara Bank are moving towards one stop banking. The mega-marketing concept entails the offering of not just associated core service labels but also any and every possible service that the client may demand. Standard Chartered has entered into an alliance with Kothari's Mutual Funds to market the latter's units through its network of branches countrywide.

II. Credit Cards. As the Indian economy develops, deferred payment mechanism is gradually gaining popularity with the advent of credit cards. The shift is primarily revolving around changing consumer needs and the evolution of financial markets in the payment service area. As more people are being convinced about the value or credit cards, there will be an explosion of credit cards in India. The real growth of the cards market has happened in the late eighties. Much is owed to Citibank for carefully implanting the concept of marketing, which led to acceptance of credit throughout the country. This has helped popularise the card concept enormously. Now the payment services have become more complex and technology driven. As a result this market is at the cutting edge of technology in implementing changes. As people in this country accept the culture of enjoy now and pay out of future expected income, the credit card market will invite more competition. The challenge for those marketing credit cards is to change its image from being just a status symbol to a secure, convenient means and a necessity in daily life for making all kind of payments. Recently (year 2000) SBI has also entered into credit card market and is trying to capture a market share and name for itself.

GLOBAL BRANDING

In the past, most companies established new brand names that made sense in their country. When they later attempted to introduce their brand into foreign markets, some companies discovered that the existing brand name was not appropriate. The name was difficult to pronounce, offensive, funny, meaningless, or already co-opted by someone else. The companies were forced to develop a new brand name for the same product when it was introduced in other countries. For e.g. P & G had to create a different brand name for its Pert Plus Shampoo when it introduced it in Japan (called Rejoy) and the United Kingdom (Called Vidal Sassoon). Using different brand names for the same product comes at a high cost. However, the company has to prepare different labels, packaging, and advertising.

The trend today is toward a "borderless world". In Europe, custom duties, border delays, and other impediments to inter-European trade are rapidly diminishing. Companies are eager to launch new brands as Eurobrands. P & G launched its detergent Ariel as à Eurobrand. Mars has replaced its Treats and Bonitos brand names with M & M's worldwide and changed its third largest United Kingdom brand -Marathon- to the name that it uses in the United States. Recently (Nov. 9, 2000) Macmillan also has changed its name.

Macmillan Gets new Name — Macmillan press has been rechristened. A household name in India, the Macmillan Press which has exited in this country for over 150 years, since it was founded in 1843 in the UK, will now be globally called Palgrave. Integrating with its sister company, St. Martin's Press Scholarly and Reference, the international academic publisher has re-branded itself.

After its launch in the UK in September 2000 and subsequent launches in USA and Germany, Palgrave was officially launched in the Indian market on November 9, 2000 by Dominic Knight, managing director, Palgrave. According to Knight, "Macmillan is a very old and established brand in India. In the light of the same, the rebranding signifies a very big decision on our part. However, Macmillan isn't a global brand. Ever since it's American counterpart was sold and with it the name, we have been trading in the US under other names. At this stage there are four companies across the globe, which can use the name Macmillan. Although we are still a part of Macmillan, the new brand will give us a global image and

strengthen our business. The rebrand is really a commitment by Macmillan to academic publishing worldwide. It is very much a statement of our coverage, commitment and investment to create a strong global brand."

Advantages and Disadvantage of Global Branding

One main advantage of Global Branding is economy of scale in preparing standard packaging, labels, promotions and advertising. Advertising economy results from using standardized also and the fact that media coverage increasingly overlaps between countries. Another advantage is that sales may increase because travellers will see their favourite brands advertised and distributed in other markets. Their trade channels are more ready to accept a global brand that has been advertised in their market. Finally, a worldwide-recognized brand name is a power in itself, especially when the country of origin associations is highly respected. Japanese companies have developed a global reputation for high technology and quality and their names on products give buyers instant confidence that they are getting good value.

But there are also costs and risks to global branding. A single brand name may not be as appealing as locally chosen names. If the company replaces a well regarded local name with a global name, the changeover cost can be substantial. The company will have to inform millions of people that its brand still exists but under another name. Even the company's local managers may resist the name change ordered from headquarters. The over centralization of brand planning and programming may dissipate local creativity that might have produced even better ideas for marketing the product.

Even when a company has promoted its global brand name worldwide, it is difficult to standardize its brand associations in all countries. Heineken beer, for example, is viewed as a high quality beer in the United States and France; a grocery beer in the United Kingdom; and a cheap beer in Belgium. Cheez whiz, Kraft General Foods company cheese spread, is viewed as a "Junk food" in the United States; a toast spread in Cannad; and a coffee flavourer in Puerto Rico.

The major inference to draw from all of this is that wise companies will globalize those elements that make or save substantial sums of money and localize those that competitive positioning and success require.

MAJOR BRANDS AND THEIR MARKET POSITION

Characteristics Shared by the Strongest Brand

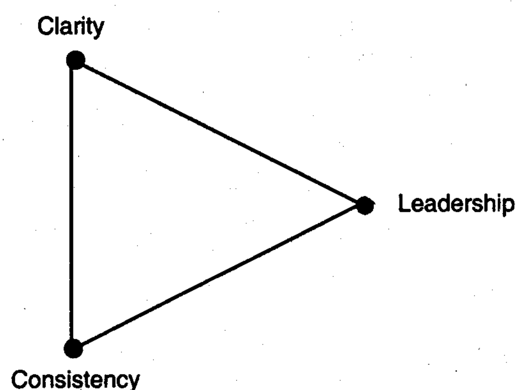


Fig. 1.7

Characteristics of the Strongest Brands.

The definition of a brand is probably more complex today than it has ever been. Consumer's have more choices today than they ever had before. So the brand must be a bridge of "trust" to the consumer. Trust is definitely the future of a brand. A brand has to be a friend.

There are many characteristics shared by the strongest brands today, (Fig. 1.7) the most critical of which are clarity, consistency and leadership.

- **Clarity** — of vision, mission and value which are understood, lived and even loved by the people who need to deliver the clarity of what makes those values distinctive and relevant.

  Example: *Benadryl cough formula is an example of such a brand, which has clarity in the minds of doctors, patients and retailers.*

- **Consistency** — Not the old-fashioned consistency of simple products, and not to be confused with predictability. Strong brands show consistency in who they are, whatever they're doing. There is little long-term value in a relationship with someone who may seem to be a trusted friend one-day and an axe-wielding murderer the next. Brand also need consistency and alignment of values in all their manifestations — whether in product, in store environment, in the way people answer the phone, in social responsibility and ofcourse, consistency of investment.

  Example: *Betnovate (Glaxo), Erthomysin (Abbott) and Lux (HLL) are old brands and yet they have consistency in trustworthiness.*

- **Leadership** — the most discriminating factor in generating long-term brand value at the highest level is leadership. It is a brand's ability to lead and exceed expectations, to take people into new territories and areas of product, service and even social philosophy, at the right time. It is also a brand's ability to be restless about self-renewal. In industry like pharmaceuticals, many a time regulatory authorities compel brands to drop their active ingredients, or else new molecules come up in the same therapeutic group and the brand needs to be ready for self-renewal.

  Example: *Baralgan (HMR) is an example of regulatory changes while Incidel (Bayer) is an example of adding new active ingredients for the renewal by renaming it Incid-L.*

The Clarity usually exists when the brand gets differentiated from the rest, while leadership is a matter of how the brand is developed. Yet, the route of consistency is very complex and essential.

Consistency is an ideal. In most diversified organizations, persuading those responsible for communications to adhere to basic rules concerning message or colour or type is difficult enough, but trying to integrate the thoughts and actions of individuals makes it nearly impossible. The realist is achieving partial not absolute consistency.

The question then is-how can this be achieved? In the beginning it cannot be imposed-though guidelines may help. The simplest and most effective way is if people believe not in the rules defining how they should act, but in the principles that formed them. The best practices in management suggest that consistency can be achieved by two-way communication; building mutually beneficial relationships; trust; friendships (available when needed); dissatisfaction: seeking improved experience and assurance of future — a refreshing renewal.

The Six Principles of Building Consistency
• Two-way communication • Building mutually beneficial relationships • Trust • Friendships (available when needed) • Dissatisfaction: seeking improved experiences • Assurance of future

Box 1.6

Rating the Brand

Building and properly managing brand equity has become a priority for companies of all sizes in all types of industries and in all types of markets. From strong brand equity, flows customer loyalty and profits. The rewards of having a strong brand are clear.

Few managers are able to step back and assess their brand's particular strength and weaknesses objectively. Most have a good sense of one or two areas in which their brand may excel or may need help. But if pressed, many (understandably) would find it difficult even to identify all of the factors they should be considering. When one is immersed in the day-to-day managements of a brand it is not easy to keep perspective all the parts that affect the whole.

There are ten important characteristics which the world's strangest brand share and a "Brand report card" can be constructed from these characteristics which can be a systematic way for managers to think about how to grade their brand's performance. The report card can help manager's to identify areas that need improvement, recognize areas in which the brand is strong, and to learn more about how a particular brand is configured. Constructing similar report cards for the competitors can give a clearer picture of their strengths and weakness.

One Caveat
Identifying weak spots for the brands doesn't necessarily mean identifying areas that need more attention. Decisions that might seems straightforward- "we haven't paid much attention to innovation: let's direct more resources toward R & D"- can sometimes prove to be serious mistakes if they undermine another characteristic that customers value more.

Box 1.7

Traits in Top Brands

The world's strongest brands share the ten attributes:

The Brand Report Card (The Top Ten Traits)

- The brand excels at delivering the benefits customers truly desire
- The Brand stays relevant
- The pricing strategy is based on consumer's perceptions of value
- The brand is properly positioned
- The brand is consistent
- The brand portfolio and hierarchy make sense
- The brand makes use of and coordinates a full repertoire of marketing activities to build equity
- The brand's managers understand what the brand means to consumers
- The brand is given proper support, and that support is sustained over the long run
- The company monitors sources of brand equity

Box 1.8

I. The brand excels at delivering the benefits customers truly desire. Why do customers really buy a product? Not because the product is a collection of attributes but because those attributes, together with the brands image, the service and many other tangible and intangible factors, create an attractive whole. In some cases, the whole isn't even something that customers know or can say they want.

Example, take the case of Starbucks. It's not just a cup of coffee. In 1983, Starbucks was a small Seattle area coffee retailer. Howard Schultz (Presently, Chairman Starbucks) while on vacation in Italy, was inspired by the romance and the sense of community in Italian coffee and coffee houses. The culture grabbed him, and he saw an opportunity.

And so company (Starbucks) began to focus its efforts on building a coffee bar culture. It opened up the coffee houses like those in Italy. The company maintained control over the coffee from start to finish-from the selection and procurement of the beans to their roasting and blending to their ultimate consumption. They delivered superior benefits to customers by appealing to all five senses, through the enticing aroma of the beans, the rich taste of the coffee, the product displays and attractive art work adorning the walls, the contemporary music playing in the background, and even the cozy, clean feel of the tables and chairs. As a result the average Starbucks customer started visiting the store 18 times a month and spends $ 3.50 a visit. The company's sales and profits grow more than 50% annually.

II. The brand stays relevant. In strong brands, brand equity is tied both to the actual quality of the product or service and to various intangible factors. The intangibles include User imagery (the type of person who uses the brand); Usage imagery (the type of situations in which the brand is used); the type of personality the brand portrays (sincere, exciting competent rugged); the feeling that the brand tries to elicit in customers (purposeful, warm); and the type of relationship it seeks to build with its customers (committed, casual, seasonal). The strongest brands without losing sight of their core strengths, stay on the leading edge in the product arena and tweak their intangibles to fit the times.

Example, Gillette, pours millions of dollars into R & D to ensure that its razor blades are as technologically advanced as possible, calling attention to major advances through subbrands (Trac II, Atra, Sensor, Mach 3) and signalling minor improvements with modifiers (Atra Plus, Sensor Excell). At the same time Gillette, created a consistent intangible sense of product superiority with its long-running ads, "The best a man can be" which are tweaked through images of men at work and at play that have evolved over time to reflect contemporary trends.

The images can be tweaked in many ways other than through traditional advertising, logos, or slogans. "Relevance" has a deeper, broader meaning in today's market. Increasingly, consumer's perceptions of a company as a whole and its role in society affect a brands's strength.

III. The pricing strategy is based on consumer's perceptions of value. The right blend of product quality, design features costs, and prices is very difficult to achieve but well worth the effort. Many managers are woefully unaware of how price can and should relate to what customers think of a product and they therefore charge too little or too much.

Example, Procter & Gamble in implementing its value-pricing strategy for the Cascade automatic dishwashing detergent brand, made a cost-cutting change in its formulation that had an adverse effect on the product's performance under certain- albeit somewhat a typical-water conditions. Lever Brother quickly countered attack Cascade's core equity of producing "virtually spotless" dishes out of the dishwasher. In response, P & G immediately returned to the brand's old formulation. Thus value pricing should not be adopted at the expense of essential brand building activities.

By contrast, with its well-known shifts to an "everyday low pricing"(EDLP) strategy, Procter & Gamble successfully align its prices with consumer perceptions of its products value while maintaining acceptable profit levels.

IV. The brand is properly positioned. Brands that are well positioned occupy particular niches in consumer's minds. They are similar to but different from competing brands in certain reliably identifiable ways. The most successful brands in this regard keep up with competitors by creating points of parity in those areas where competitors are trying to find an advantage over competitors in some other areas.

Example, the Mercedes-Benz and Sony brands hold clear advantages in product superiority and match competitors's level of service. Calvin Klein excels at providing compelling user and usage imagery while offering adequate or even strong performance.

Visa is a particularly good example of a brand whose managers understand the positioning game. In the 1970s and 1980s, American Express maintained the high-profile brand in the credit card market through a series of highly effective marketing programs. Trumpeting that "membership has its privileges", American Express came to signify status, prestige, and quality.

In response, Visa introduced the Gold and Platinum cards and launched an aggressive marketing campaign to build up the status of its cards to match the American Express cards. It also developed an extensive merchant delivery system to differentiate itself on the basis of superior convenience and accessibility. The Visa ad campaigns showcased desirable locations such as famous restaurant, resorts and events that did not accept American Express while proclaiming, "Visa, its everywhere you want to be." The aspirational message cleverly reinforced both accessibility and prestige and helped Visa to stake out a formidable position for its brands. The Visa thus became the consumer card of choice for family and personal shopping, for personal travel and entertainment, and even for international travel, which was American Express stronghold.

V. The brand is consistent. Maintaining a strong brand means striking the right balance between continuity in marketing activities and the kind of change needed to stay relevant. Here, continuity mean that the brand's image doesn't get muddled or lost in a cacophony of marketing efforts that confuse customers by sending conflicting messages.

Example: Michelob brand had faced such a problem. In the 1970s, Michelob ran ads featuring successful young professionals that confidently proclaimed, "Where you're going, it's Michelob". The company's next ad campaign trumpeted, "Weekends were made for Michelob". Later in an attempt to bolster sagging sales, the theme was switched to "Put a little weekend in your week". In the mid 1980s, managers launched a campaign telling consumers that "The night belongs to Michelob" Then in 1994 consumers were told," Some days are better than others," which went on to explain that "A special day requires a special beer". That slogan was subsequently change to "Some days were made for Michelob."

Thus the consumers were confused. Previous advertising campaigns simply required that consumers should look at their calendar or out of a window to decide whether it was the right time to drink Michelob; by the mid 1990s, they had to figure out exactly what kind of day they were having as well. After receiving so many different messages, consumers could hardly be blamed if they had no idea when they were supposed to drink the beer. Predictably, sales suffered. From a high in 1980 of 8.1 million barrels, sales dropped to just 1.8 million barrels by 1998.

VI. The brand portfolio and hierarchy make sense. Most companies do not have only one brand; they create and maintain different brands for different market segments. Single product lines are offen sold under different brand names, and different brands within a company hold different powers. The corporate, or company wide, brand acts as an umbrella. A second brand name under that umbrella might be targeted at the family market. A third brand name might nest one level below the family brands and appeal to boys, for example, or be used for one type of product.

Brands at each level of the hierarchy contribute to the overall equity of the portfolio through their individual ability to make consumers aware of the various products and foster favourable associations with them. At the same time, though, each brands should have its own boundaries, it can be dangerous to try to cover too much ground with one brand or to overlap two brands in the same portfolio.

Example: BMW has a particularly well designed and implemented hierarcy. At the corporate brand level, BMW pioneered the luxury sports sedan category by combining seemingly incongruent style and performance considerations. BMW's clever advertising slogan, "The ultimate driving machine", reinforces the dual aspects of this image and is applicable to all cars sold under the BMW name. At the same time, BMW created well-differentiated subbrands through its 3,5 and 7 series, which suggest a logical order and hierarchy of quality and price.

VII. The brand makes use of and coordinates a full repertoire of marketing activities to build equity. At its most basic level, a brand is made up of all the marketing elements that can be

trademarked- logos, symbols, slogans, packaging, signage and so on. Strong brands mix and match these elements to perform a number of brand-related functions, such as enhanching or reinforcing consumer awareness of the brand or its image and helping to protect the brand, both competitively and legally.

Managers of the strongest brands must appreciate the specific roles that different marketing activities can play in building brand equity. They can, for example, provide detailed product information. They can show consumers how and why a product is used, by whom, where, and when. They can associate a brand with a person, place, or thing to enhance or refine its image.

Some activities, such as traditional advertising, lend themselves best to "pull" functions those mean to create consumer demand for a given product. Others, like trade promotions, work best as "push" programs- those designed to help push the product through distributors. When a brand makes good use of all its resources and also takes particular care to ensure that the essence of the brand is the same in all activities, it is hard to beat.

Example: Coca-Cola is one of the best examples. The brand makes excellent use of many kinds of marketing activities. These include media advertising (such as the global "Always Coca-Cola" campaign); promotions (the effort focused on the return of the popular contour bottle); and sponsorship (its extensive involvement with Olympics). They also include direct response (the Coca-Cola catalog, which sells licensed Coke merchandise) and interactive media (the company's web site, which offers, among other things, games, a trading post for collectors of Coke memorabilia, and a virtual look at the World of Coca-Cola museum in Atlanta). Through it all, the company always reinforces its key values of "originality," "classic refreshment," and so on. The brand is always the hero in Coca-Cola advertising.

VIII. The brand's managers understand what the brand means to consumers. The managers of strong brands must appreciate the totality of their brand's image that is, all the different perceptions beliefs, attitudes, and behaviours customers associate with their brand, whether created intentionally by the company or not. As a result the managers will be able to make decisions regarding the brand with confidence. If it's clear what customers like and don't like about a brand, and what core associations are linked to the brand, then it should also be clear whether any given action will dovetail nicely with the brand or create friction.

Example: The Bic brand illustrates the kinds of problems that can arise when managers don't fully understand their brand's meaning. By emphasizing the convenience of inexpensive, disposable products, the French Company Societe Bic was able to create a market for non-refillable ballpoint Pens in the late 1950s, disposable cigarette lighters in the early 1970s, and disposable razors in the early 1980s. But in 1989, when Bic tried the same strategy with perfumes in the United States and Europe, the effort bombed.

The perfumes-two for women ("Nuit" and "Jour") and two for men ("Bic for Men" and "Bic sport for Men") were packaged in quarter-ounce glass spray bottles that locked like fat cigarette lighters and sold for about $ 5 each. They were displayed in plastic packages on racks at checkout counters throughout Bic's extensive distribution channels, which included 100,000 or so drugstores, supermarkets and other mass merchandisers. At the time of the launch, the product was described as logical extensions of the Bic heritage. "High quality at affordable prices, convenient to purchase and convenient to use". The company spent $ 20 million on an advertising and promotion blitz that featured images of stylish people enjoying the perfumes and used the tag line "Paris in your pocket",

The brand didn't succeed, although the other products did stand for convenience and for good quality at low prices, Bic's managers didn't understand that the overall brand image lacked a certain cachet with customers — a critical element when marketing something as tied to emotions as perfume. The marketers knew that customers understood the message they were sending with their earlier products. But they didn't have a handle on the associations that the customers had added to the brand image-a utilitarian, impersonal essence, which didn't at all lend itself to perfume.

In contrast, Gillette has been careful not to fall into the Bic trap. While all of its products benefit from a similarly extensive distribution system, it is very protective of the name carried by its razor blades, and

associated toiletries. For example, the company's electric razors, use the entirely separate Braun name, and its oral care products are marketed under the Oral B name.

IX. The brand is given proper support, and that support is sustained over the long-run. Brand equity must be carefully constructed. A firm foundation for brand equity requires that consumers have the proper depth and breadth of awareness and strong, favourable, and unique associations with the brand in their memory. Too often, managers want to take shortcuts and bypass more basic branding considerations, such as achieving the necessary level of brand awareness in favour of concentrating on flashier aspects of brand building related to image.

Example: A good example of lack of support comes from the oil and gas industry. In the late 1970s, consumers had an extremely positive image of Shell Oil, and according to market research, they saw clear differences between that brand and its major competitors. In the early 1980s, however, for a variety of reasons Shell cut back considerably on its advertising and marketing. The brand thus started loosing it's uniqueness and the Shell is yet to regain the ground it lost. The brand no longer enjoys the same special status in the eyes of consumers, and is viewed as similar to other oil companies.

X. The company monitors sources of brand equity. Strong brands generally make good and frequent use of in-depth brand audits and ongoing brand-tracking studies. A brand audit is an exercise designed to assess the health of a given brand. Typically, it consists of a detailed internal description of exactly how the brand has been marketed (called a "brand inventory") and a thorough external investigation, through focus groups and other consumer research, of exactly what the brand does and could mean to consumers (called a "brand exploratory"). Brand audits are particularly useful when they are scheduled on a periodic basis. It's critical for managers holding the reins of a brand portfolio to get a clear picture of the products and services being offered and how they are being marketed and branded. It's also important to see how that same picture looks to customers. Tapping customer's perceptions and beliefs often uncovers the true meaning of a brand, or group of brands, revealing where corporate and consumer views conflict and thus showing managers exactly where they have to refine or redirect their branding efforts or their marketing goals.

Tracking studies can build on brands audits by employing quantitative measures to provide current information about how a brand is performing for any given dimension. Generally, a tracking study will collect information on consumer's perceptions, attitudes, and behaviours on a routine basis over time; a thorough study can yield valuable tactical insights into the short-term effectiveness of marketing programs and activities. Whereas brand audits measure where the brand has been, tracking studies measure where the brand is now and whether marketing programs are having their intended effects.

The strongest brands, however, are also supported by formal brand-equity management systems. Managers of these brands have a written document a "brand-equity charter"- that spells out the company's general philosophy with respect to brands and brand-equity as concepts (what a brand is, why brands matter, why brand management is relevant to the company, and so on). It also summarizes the activities that make up brand audits, brand tracking, and other brand research; specifies the outcomes expected of them; and includes the latest findings gathered from such research. The charter then lays out guidelines for implementing brand strategies and tactics and documents proper treatment of the brand's trademark — the rules for how the logo can appear and be used on packaging in ads, and so forth. The managers also assemble the results of their various tracking surveys and other relevant measures into a brand equity report, which is distributed to management of a monthly, quarterly, or annual basis. The brand equity report not only describes what is happening within a brand but also why.

Example: A market leader even can benefit by carefully monitoring its brand and Disney is one such example. In the late 1980s Disney became concerned that some of its characters (among them Mickey Mouse and Donald Duck) were being used inappropriately and becoming over exposed. The determine the severity of the problem, an extensive brand audit was undertaken. First, as part of the brand inventory, managers compiled a list of all available Disney products (manufactured by the company and licensed) and all third-party promotions (complete with point-of-purchase displays and relevant merchandising) in

stores worldwide. At the same time as part of a brand exploratory a consumer research study to investigate how consumers felt about the Disney brand was undertaken.

The results of the brand inventory were a revelation to senior managers. The Disney characters were on so many products and marketed in so many ways that it was difficult to understand how or why many of the decisions had been made in the first place. The consumer study also reinforced the result. The study indicated that people lumped all the product endorsements together. Disney was Disney to consumers whether they saw the characters in films, or heard them in recordings, or associated them with theme parks or products.

Consequently, all products and services that used the Disney name or characters had an impact on Disney's brand equity. And because of the characters broad exposure in the marketplace, many consumers had begun to feel that Disney was exploiting its name. For example, Disney characters were linked to well-regarded premium brands like Tide laundry detergent. In that case, consumers felt that the characters added little value to the product. Worse yet, they were annoyed that the characters involved children in a purchasing decision that they otherwise would probably have ignored. It was reported from the consumers that they resented all the endorsements because they felt they had a special personal relationship with the characters and that Disney should not be handled carelessly.

Due to the brand inventory and exploratory, Disney moved quickly to establish a brand equity team to better manage the brand franchise and more selectively evaluate licensing and other third-party promotional opportunities. One of the mandates of this team was to ensure that a consistent image for Disney, reinforcing its key association with fun family entertainment, was conveyed by all third party products and services. Subsequently, Disney declined an offer to cobrand a mutual fund designed to help parents save for their children's college expenses because it was felt that a connection with the financial community suggested associations that were inconsistent with other aspects of the brand's image.

GUIDELINES FOR BUILDING A STRONG BRAND

- Building a strong brand involves maximizing all ten characteristics. (See Box 1.8) Ant that is, clearly, a worthy goal. But in practice, it is tremendously difficult because in many cases when a company focuses on improving one, others may suffer. The trick is to get a handle on how a brand performs on all ten attributes and then to evaluate any move from all possible perspectives.
- It is important to recognize that in strong brands the top ten traits have a positive, synergistic effect on one another; excelling at one characteristic makes it easier to excel at another. A deep understanding of a brand's meaning and a well-defined brand position, for example, guide development of an optimal marketing program. That, in turn, might lead to a more appropriate value-pricing strategy.
- Instituting an effective brand-equity-measurement system can help clarify a brand's meaning, capture consumer's reactions to pricing changes and other strategic shifts, and monitor the brand's ability to stay relevant to consumers through innovation.

Box 1.9

ASIAN BRANDS AND THEIR MARKET POSITION

(The Great Asian Brands Survey)

The Branding Asia. com is doing a monthly survey to find the great Asian brands. Following are the strongest brands with their ranking based on the data upto May-2001.

- **Hello Kitty (Sanrio)** **Rank-1**

  The kitty doll and its variations appeal to the young (girls) in many Asian countries like Hong Kong, Taiwan, Singapore, Japan, etc.

- **Sony** **Rank-2**

  Innovation from a country that traditionally does not encourage it. Sony music and film distribution are some of the world's best known entertainment brand names. Miniaturization and Sony's core competency in Audio & Video cutting edge technology, bring products to the masses.

- **Cathay Pacific Airways** **Rank-3**

  The brand strength is consistently good service (ground to air) and a sophistication congruent with the world's greatest city.

- **Wipro** **Rank-4**

  No 1 in market capitalisation in India. It has grown to become one of the best IT solution providers. Wipro have contributed in making India an IT super power.

- **Shangri-La** **Rank-5**

  A solid, respectable, survivor in a very competitive environment. Shangri-La have achieved excellence because of their belief in providing service that is second to none; the Shang makes it's customers feel as if they are at HOME — home away from home! Shangri-La projects an excellent service as it makes its guests feel like a king.

- **Singapore Airlines** **Rank-6**

  Singapore Airlines sets a great example with a consistent brand image, built over many years. The Singapore Girl is still remembered, and though not actively promoted, is still an active component of the brand. The best of all nominated brands, SIA has built a consistent brand image over a long period.

- **San Miguel** **Rank-7**

  San Miguel beer has continuously evolved itself to cater to all people from the farmers and ordinary workers in the country side for the "yupiee" crowd in Makati. Its advertisement continues to uphold Filipino values. San Miguel conquers the global taste as it promotes the Filipino original product.

- **Banyan Tree Hotels and Resorts** **Rank-8**

  The company has built a strong brand in under 5 years, and is renowned for its guardianship of the brand, avoiding many offers of alliances that do not fit with its values. Its focus is customer service.

- **Creative Technologies** **Rank-9**

  Creative is the world's largest maker of soundcards. Its SoundBlaster card has become the defacto standard for PC audio worldwide.

- **Mitsubishi** **Rank-10**

  Consistently reliable product and leading-edge offerings enhances customer loyalty.

- **Lee Kum Kee** **Rank-11**

  Lee Kum Kee condiments, across Asia both product quality and brand consistency, a truly Asian brand with regional success.

- **Red Bull** **Rank-12**

  It has gone from a truck driver's pick-me-up in Thailand to the trendiest new drink in Europe- when served with Vodka. A stallwart pick -me-up drink for workers in South East Asia has found a niche by repackaging itself and marketing to the club circuit in Europe as a trendy vodka mixer. "Red Bull" Brand was formulated by an Austrian. There are similar drinks in AP and Red Bull in AP is a different formulation to RB in Europe.

- **Singha Beer, Thailand** **Rank-13**

  Makes people proud to be Thai, and drink the stuff though the product needs improvement.

- **National Panasonic** **Rank-14**

  Clear and consistent management and product philosophy earned her a worldwide recognition for its reliability and durability of its product.

- **TATA Corporate** **Rank-15**

  One of the few Indian corporates that is loved, respected and admired for never compromising on their ethics and values irrespective of success or failure.

- **CPF Singapore** **Rank-16**

  It's a 40 something institution known to all working Singaporeans who associate it with their retirement. It's a solid bedrock organisation.

- **Thai Airways** **Rank-17**

  Good service and outstanding network.

- **Hindustan Lever Limited** **Rank-18**

  Unmatched distribution strength in second most populated country in the world i.e., India. Brands like Rin, Lux and Pepsodent are among the top 20 Indian brands. Innovative and market leaders with a strong customer pull.

- **Sampoerna A Mild** **Rank-19**

  The Best Known and Best Selling Low Tar Low Nicotine Cigarette in SE Asia.

- **Pil Chi Kit's Poh Chai Yin** **Rank-20**

  Pil Chi Kit's Poh Chai Yin is the oriental version of the panadol. It comes in a bottle of 50 or so small tablets. It's been a favourite for many generations. Usually found in Chinese medicine shops, this can now be purchased at the western pharmacies as well.

- **GMA Network (Channel 7 Phils.)** **Rank-21**

  GMA Network captivates the spirit of its audience that truly reflects it's sentiments and aspirations. The sense of belonging is felt.

- **Singapore Port Authority** **Rank-22**

  It's the number one port.

- **Sei Ro Gan** **Rank-23**

  Brands, which are successful, are easily identified with their country or culture of origin, yet they always capture something common in all cultures. Sei or Gan is such a brand.

- **Honda** **Rank-24**

  A Human face of sportiness and functionality.

INDIAN BRAND AND THEIR MARKET POSITION

(The Indian Brands Survey)

Top Brand-Colgate. For the seventh time in 8 years, Colgate emerges as India's Top Brands (A & M Nov.1999). According to Derek Samuel, managing director Colgate-Palmolive India Ltd., "It is due to the brand's commitment to oral care, and the work they have done in rural healthcare". Top Brands

survey is being conducted since, 1993 by A & M and IMRB. The survey is designed to reveal a cross section of what constitutes consumer patronage. It measures both the familiarity and depth of the consumer's relationship with the brand. "Trust, bonding substitutability and mind share" are among the parameters used in the survey and these reflect the strength or weakness of a brand.

Reasons for the Colgate success

What Makes Colgate So Strong In India:

There are, three or four reasons for Colgate's Numero Unohood (Shunu Sen, CEO, Quadra Advisory). First, it is "leadership and positioning". The brand, postitioned as the oral-care expert, commands over half the Indian market for dental care, placed at roughly 65,000 tonnes, worth an estimated Rs. 1,000 crore, in 1998.

Second, the length of time it has been in the market. Willian Colgate began as a candle-stick and soap maker in 1806, in New York, and since then, the company has been involved intimately with the consumer of basic-need products. In the US, oral hygiene acquired prominence in 1869, when the Wild West started influencing the Victorian East Coast, and Colgate launched its first toothpaste four years later. It's a heritage worth of envy. It is also one of the world's best stories of organic growth.

India is also no stranger to the ubiquitous red-and-white tubes. As per Colgate Palmolive spokesperson, "Our tryst with the Indian consumer began Over 60 years ago". Rajiv Agrawal, CEO, Enterprise Nexus, feels that — familiarity' plays a major role in brand eminence, because it creates a 'sense of comfort', which is a crucial aspect of brand equity. According to Rajiv Agrawal, "Colgate has a history, coupled with the fact that it hasn't done too many things wrong.".

The third point is the brand's consistency in communication. Colgate has focussed on giving its customers cleaner teeth, fresher breath and stronger gums. Thus, it takes care of all of one's needs in a small office. Plus, there's the issue of the sheer breadth of Colgate's breath. It appeals to a wide spectrum of the market, as opposed to Pepsodent, which is for children, and Close-up which is for teens.

Back in 1969, toothpaste meant 'Colgate'. Twenty years later it was not very different, with Promise and a few other brands having entered the market and taken traditional spots in consumer mindscape (clove prevents tooth decay and alleviates toothache). It was only in the 1990s that the market started evolving rapidly. At the start of the 1990s, the typical Indian middle-class toothbrushes simply needed a foam to act as a lubricating medium for the bristle action on teeth. And it was irritating for a formulation to demand too much labour of one's tongue, after that, to do a proper rinse-out. Then the focus shifted to the scientific benefits delivered by the paste. Myths started vanishing. The discerning user started reading the R & D fineprint. While some grew concerned over how long the breath freshness would last (in the morning), others wanted on assurance of a bacteria-free mouth, particularly before getting into bed. The latter represented a significant minority, better aware and more value- conscious. Some families became dual paste users a new phenomenon.

In the past two years, since 1997 CPIL had shed some of its conservatism and got the brand's defence strategy together but however the market share has SLID and has been halted in several states of the country. But, according to Derek Samuel, "the brand is still strong and the fall in market share is just a temporary setback. The name is synonymous with the product. In the face of competition, every market leader wins of loses market share. What is important is that it continues to be a leader in the minds of people".

Since 1997, CPIL has been frightfully aggressive with ground activity. It's rural education scheme, which began in 1976, now has some 70 vans crisis-crossing the countryside, showing a 22-minute 'informerical' and handing out samples. In 1998 alone, Colgate contacted six million people in 20,000 villages, of which 15,000 had never experienced tooth powders, let alone paste. The CPIL feels that the potential in converting users of charcoal-and-husk, is vast. Awareness is less of a problem than poverty.

In rural areas many consumers clean their teeth and mouths only in the mornings. But the fresh breath need can actually be fulfilled through alternatives. Colgate has penetrated there and consumers are becoming habitual of using Colgate, they resist any change.

CRISP Model for Colgate

Jagdeep Kapoor, Strategic Marketing Consultant, Samsika consultants, has a "**CRISP model**" for brand strength, against which Colgate may be check out.

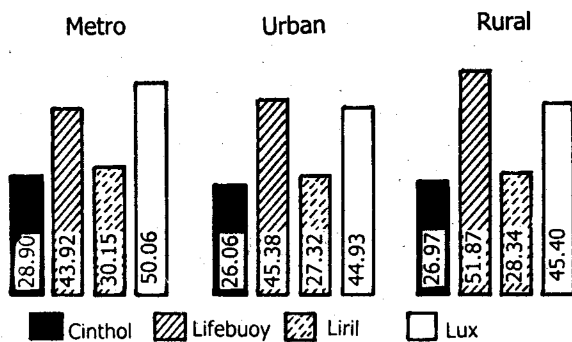
- *The 'C' stands for the consumer's 'consideration set', of which* the brand must be a part. The Colgate sure is.
- *The 'R' of 'relationship', which Colgate certainly has, but* not in a one-to-one way, which it probably ought to establish, at least with its high-end Total Loyalists.
- *'I' is for identity, which the powerful logo, colour code and* lettering take care of.
- *'S' is for 'search', a never-ending one for new need-gaps.*

  Colgate's emphasis on round-the-clock oral hygiene implies that it has widened its field of utility, even in 'conservative' India.
- *'P' is for 'perceived value', which according to Jagdeep* Kapoor can be raised far above the bland functional value. *Colgate, has been good at this.*

Box 1.10

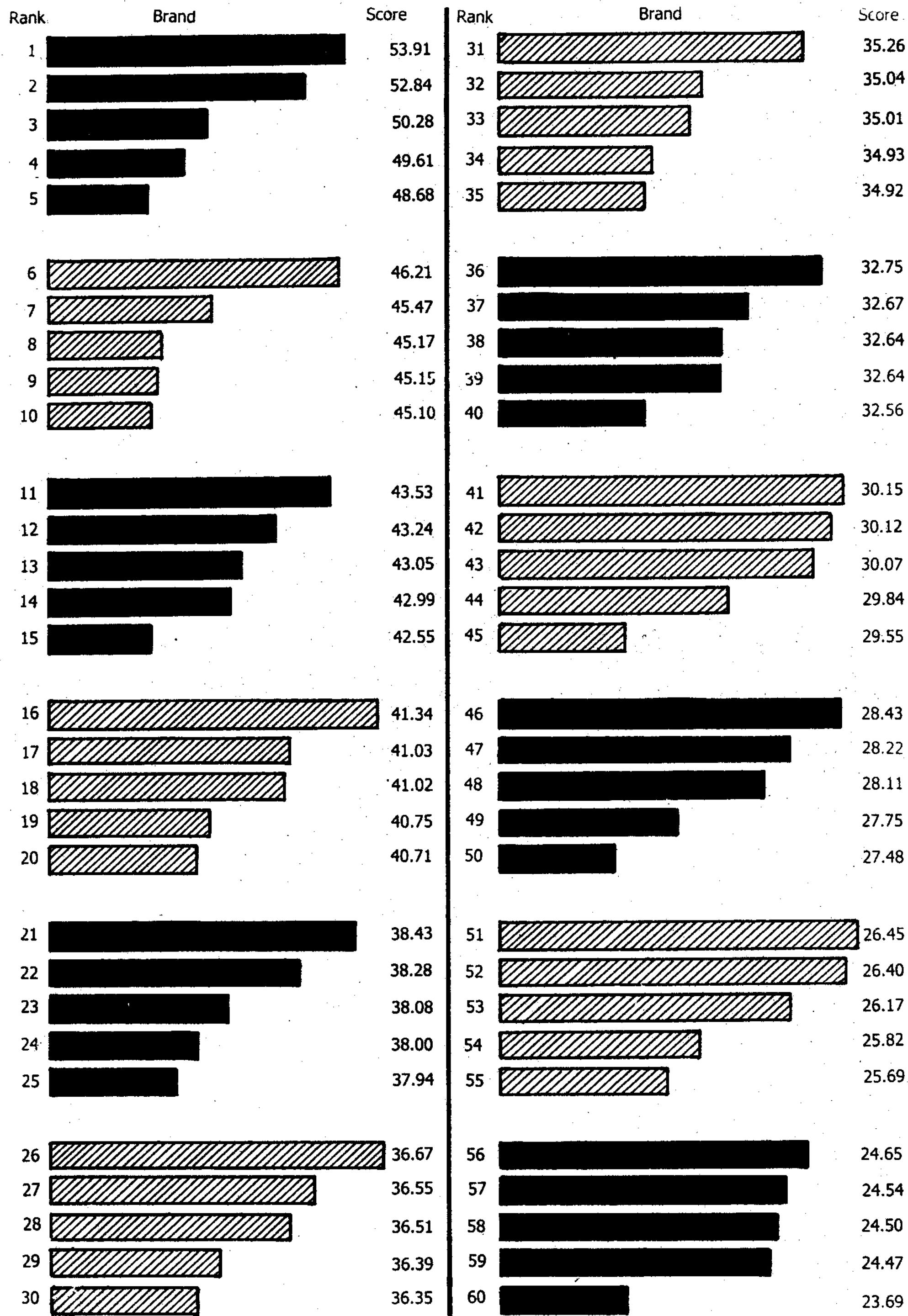
OTHER TOP BRANDS IN VARIOUS CATEGORIES

Top Brands - Soaps



Graph 1.1
Source: *A & M 15th November, 1990.*

There is a big shift towards Rural popularity of brands in this category. All the brands score higher here when compared to the Urban scores (of which the Metro sample is a subset.). Hindustan Lever's Lifebuoy is the strongest brand. (No. 2 in the Rural rankings). Lux is the most steady brands across all segments, an indication that the film heroine idea cuts across all. Cinthol, sadly, loses favour in all regions, which takes it to No. 52 on the all-India chart, which is its lowest. Perhaps the new ad campaign is still to make its impact felt. Liril continues to sag under the neglect of lever.



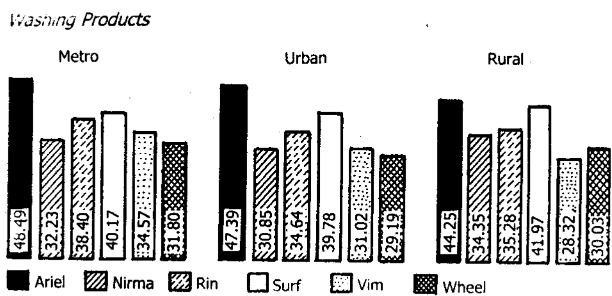
Graph 1.2

Source: A & M 15th November, 1999.

Top Brands-Various Categories

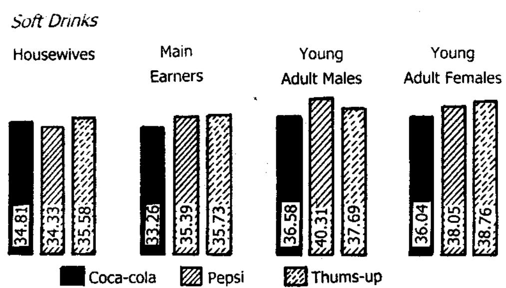
Washing Products

A similar movement towards Rural India is also seen in this product category, with three of the brands scoring higher here than in Urban India. The highest-ranked detergent, Procter & Gamble's Ariel (No. 6 overall), however, is stronger in the latter. The lowest score achieved in the Rural regions is by Vim. This can perhaps be attributed to a cheap substitute in mud (or charcoal) as a washing agent for untensils. Hindustan Lever's Surf, at No. 20 overall, has somewhat uniform scores in all segments, and seems to have all but given up the race with Ariel. Nirma the price-aggressor is at No. 40, and Wheel is doing even worse.



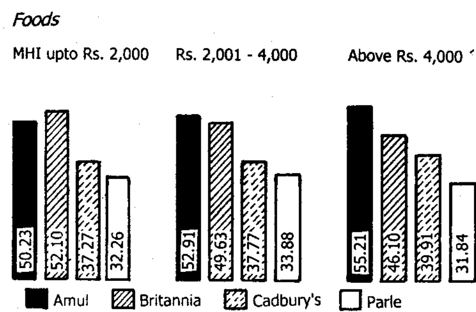
Soft Drinks

Homegrown Thums-Up is India's top cola brand. This despite all the money spent on advertising by Pepsi and Coke. Pepsi has overtaken Coca-Cola on the chart for the first time ever. Young adult males account for Pepsi's surge while females go for Thums-Up. There is not much indifference among housewives and main-earners towards soft drinks. Overall, it indicates just how fierce the cola wars will become.



Foods

Amul, a homegrown dairy brand marketed by Gujarat Cooperative Milk Marketing Federation (GCMMF) has leapt all the way up from No. 24 in 1998 to No. 2, in 1999. Much of its strength comes from the highest-income bracket. The other interesting case is that of Britannia, which is at No. 4 overall and has inexplicably managed to race ahead of Amul in the MHI up to Rs. 2,000 consumer segment. Cadbury's is popular in the highest income segment. It also scores high among young adult females.



Graph 1.3

Source: A & M, 15th November, 1999

Durables

The highest rank that any consumer durable brand (other than Titan) manages to get is No. 28 and that is good old Philips. Domestically-owned BPL is closing the gap rapidly. It is at No. 31. BPL scores well in the intermediate MHI segment of Rs. 2,001 - Rs. 4,000, given that consumer durable brands tend to do well with the well-off, mainly. Philips continues to be popular across all segments, which could be attributed to its long history in India. Young adults continue to place faith in Philips, which is some good news for it.

Toiletries

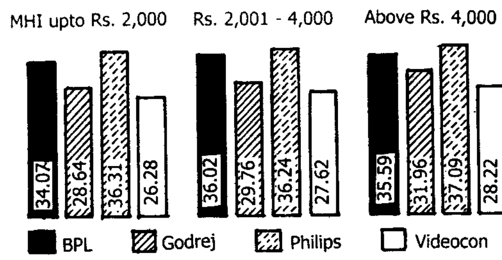
Colgate has done very well in Rural areas, but need to watch its back in the metros, where Dettol has edged it out. Close-Up continues its inexorable upward climb.

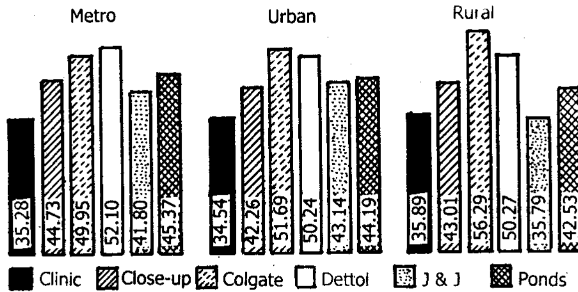
Watches

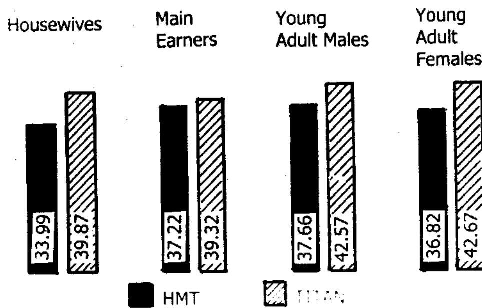
This category boasts of India's strongest durable brand, (if Bata is only semi-durable): Titan . After all the years of astute and steady brand- building, it has finally overtaken HMT. The change is accelerating and current performance matters more that heritage, it seems. Young adults give Titan much of its strength. HMT still has a loyal base among main-earners. Titan has gained in the North, a traditional HMT bastion.

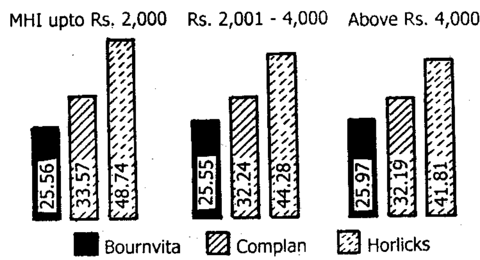
Health Food Drinks

SmithKline Beecham's Horlicks has done well in the milk-abundant years. And continues to be stronger in the East and south, than the West and north. It is well ahead of Complain and Bournvita. Nestle's Milo is new and could take time entering the chart. So also Kellogg's (an indirect competitor). Bournvita has its lowest-ever ranking (No. 55) but is still okay in the high-income segment. Its marketer, Cadbury, needs to get the brand back on an incline.









Graph 1.4
Source: A & M, 15th November, 1999

FEW SUCCESS STORIES

Case I. Luxor — Pilot Pen

Pilot established the concept of a brand in the writing instruments industry and paved the way for today's competitive scenario where innovation is the key.

In the year 1982, at a meeting of the Delhi headquartered Indian Pen Manufacturers Association, one of the members brought to light the fact that Pilot, a Japanese brand of needlepoint pens, was being sold in the country through the grey market. What intrigued the members of the association was not so much the fact that the brand was being brought in through the grey channel, but that it was doing well among discerning consumers across the country, despite its high price. The situation presented itself before the organized sector players as some sort of an anomaly there existed a need in the market for a good quality pen and no marketer worth his ink was making an attempt to tap that need.

In earlier days, writing instruments was a low-involvement category (it still is, to quite a large extent). Product differentiation within the industry was very low, and even organized sector players operated on a small scale with limited technology. Pens were more functionally-oriented rather than something to flaunt. Only two major types of pens existed-ballpoints and fountains.

Since ball pens are reserved for the small-scale sector and barriers to entry have always been incredibly low, cheap quality brands have been around by the sackful since decades. But despite their abundant supply, they occupied an inferior status among parents, teachers and students. They were perceived as economical and handy means of writing, and were purchase only because they had to be — because there wasn't any other alternative. The dominant thinking in schools and among parents was that a child learns to write with a pencil; and that in middle school he ought to graduate to a fountain pen — something that was considered essential to develop good handwriting.

Usage of the fountain pen, however, posed its own set of problems. First was the fact that it needs to be refilled with liquid ink very frequently, a messy everyday chore. Second, it is prone to spilling ink. Another problem is that the ink does not last long and often runs out in the middle of a writing session. Which means carrying an extra pen or an inkpot all the time. Finally, fountain tips are sensitive and prone to breaking at the slightest mishandling. A cumbersome proposition indeed.

Thus, clearly, a gap existed between ballpoints and fountain pens. A gap for an instrument that would be conducive to good writing (that is, be liquid ink based) and handy at the same time.

The niche was glaring enough for any industry player observant enough to see it, but it was Delhi-based Luxor Pen Company that took the initiative and decided to plug the gap. Luxor was an old hand in the writing instrument industry — it had already been in the business for about two decades. Yet, its turnover was just about Rs. 1 crore; and the company was scouting around for that something extra that would catapult it into the big league. Pilot's microtips seemed just like the right opportunity. Sensing potential in the product, Luxor decided to take up the task of legally getting the range into the domestic market.

An arrangement was struck with the Pilot Pen Corporation of Japan whereby Luxor brought the pen components from Japan and began selling them in India after assembling them at its Delhi Plant.

The company moved quickly and in the same year (1982), rolled out the Pilot Hi-tec-Point 0.5. The first model off the Luxor-Pilot stable could be bought for about Rs. 10 occupying a price plank between ball points and high-priced fountain pens. The 0.5 was sold as a product that met the twin needs of students — provided them the ease of use of a ball pen, along with the aesthetics, which came through writing with a fountain pen. In other words, it served as a great substitute for a fountain pen, enabling smooth writing, yet convenient to handle. The design elements, too, were consumer-friendly — liquid ink that did not spill, durable tip, slim, easy-to-hold body, and most importantly, enough ink to write non-stop for 1,500 metres.

Markets Vagaries. The 0.5 Pilot almost became a rage and began selling according to the company's expectations. One-lakh pieces were brought in from Japan initially, and each of them sold out in the first year itself. Pilot found favour mostly among the middle class; the upmarket consumer stuck to his brought-from-abroad Pierre Cardins and Parkers, and the one lower down the income scale continued to patronize locally-made ball-point pens.

But once the initial excitement died down came the hitch. Pilot had a shortcoming that was almost unpardonable in the eyes of the typical Indian consumer. It was not refillable. The concept of use-and-throw that existed abroad did not hold good in India.

The company had overlooked the fact that it was dealing with economy-conscious Indian consumer, who was averse to using a one-time usage product, whatever the category. If larger volumes were to be reached, the core consumer would have to be convinced to use the product. The company quickly realised this and soon introduced another version of Pilot — one, which was refillable. The company even developed ink for the refills. A one-time refill could last roughly up to three months, even when the pen was used regularly. What also made the product durable was the technology it used. Pilot's air-tight ink filling system ensured that the writing ball was constantly in touch with the ink.This ensured that the ball was moist at all times and gave it instant access to ink whenever the pen was put to use. That also did away with the need for scribbling on rough paper before writing, which saved the tip from getting rough.

The Pilot pen in its refillable version, stood out as far superior to fountain pens. The 'pilot habit' caught on among students, teachers, middle-to-senior level executives, even casual users belonging to SEC A and B. The brand leveraged Luxor's distribution strength and penetrated almost all urban markets across the country. The result was that in 1986, about a million pens were sold. The brand rapidly made inroads into people's stationery kits. Till the late 1980s, there was no competitor to challenge it. Apart from the fact that it was the right product at the right time, one of the factors that aided the unhindered growth of the brand was the lack of competition in the microtip pens category.

Due to the complex and expensive technology involved in making a micro-tip pen, cheap imitations were just not possible. The only attempts at imitation were done by small-time players who brought in ballpoint pens which looked similar to pilot externally, but actually were ballpoint with refills.

Extending the Line. The company than decided to widen its consumer base by offering products for a somewhat differentiated target audience. In 1990, Luxor introduced a 0.5-mm tipped Pilot V5, meant for fine lines. The target audience: upwardly-mobile executives in the age group of 21 and above. In terms of technology, it was ahead of the 0.5 as it had a liquid ink feeder system instead of the former's filter system. Even in appearance, V5 was more attractive owing to its visible ink system. It had a transparent window in its body, which enabled the user to view the amount of ink left in the pen. It was launched at a higher price point (Rs. 45 against the Rs. 25 for 0.5)

The new model found appreciation and a loyal set of users even faster than 0.5. The young began perceiving it as something of a status symbol, and it got tagged as an aspirational brand. By the mid-1990s, Pilot's sales crossed the 10-million units mark.

The company than launched pilot V7 (with a 0.7 mm tip) in mid-1997. V7 was similar to V5 in all respects, even the price, except for the fact that it has a thicker tip.

Going purely by the realities of the domestic market, a pen with a finer tip is more suitable because of the fact that the quality of paper generally used isn't very superior. Ink tends to spread when pens with thicker points are used. But, on the other hand, if the quality of paper is good, using a thicker tipped pen results in smoother writing.

Extending the line i.e. under the pilot brand umbrella, the company introduced V Ball. In contrast to the previous needle-point models. The V Ball is a roller ball pen. Its USP is that it comes with water and fade-proof ink.

The company had sold well over 16 million pieces of Pilot pens in the year 1999 and is roughly a Rs. 50 crore brand by value. And it retails in some 70,000 stationery outlets, besides a few upmarket FMCG stores. All along, pilot has remained the lone player in the micro-tip category.

Case-II Saffola — Good for Your Heart

The Saffola edible refined sunflower oil was launched in Bombay and the western region in 1968, by Bombay Oil Industries Ltd. — a little known firm producing coconut oil. The brand, offered in one, two, five and 15 litre tins, was the lone player in this category. The firm had no corporate image and the brand had to be built from scratch. In order to establish its identity and differentiate it from other branded edible oils, the company decided to build on the 'health platform' by talking about the product's 73 per cent PUFA (poly unsaturated fatty acid) contents which reduce the blood cholesterol levels. The slogan coined by the ad agency was 'Saffola-good for heart'. The brand targeted at a niche, was the health conscious, stress-prone, urban consumer above 50 years of age.

The company used press ads and doctors' recommendations to take the product to the consumer's kitchens. To reinforce the association of the brand with the prevention of heart disease, the symbol of the heart was conspicuously printed on the pack. After the firm started advertising the brand in newspaper and magazines regularly, the sales graph rose steadily. But in the early 1980s, the brand started stagnating. The over-emphasis on the 'curative' properties of the brand had probably created the impression that it was good for only those who had a heart-related problem. Another development that hurt the brand most was the launch of several brands of refined sunflower oil by the big boys of the industry including ITC and HLL. All these sunflower brands were launched on the same health platform that was the unique selling proposition (USP) of Saffola and targeted the same segment. As a result, Lipton's Flora and ITC's Sundrop started eating into Saffola's market. Not only were these brands being promoted vigorously, they were also 20-25 per cent cheaper than Saffola. While the refined oil market was growing at the rate of 15 per cent, the newly-introduced sunflower oils were galloping at the rate of 45 per cent per annum. The firm was in a fix; it was difficult to reduce the price of Saffola due to high raw material cost. Being a seasonal crop, raw material which alone accounted for about 65 per cent of the retail price had to be stored for the whole year. The cost of packaging was about 15 per cent.

To counter the problem, the company decided to increase the advertising budget. The packaging was also changed from metal containers to one litre PET bottles and five litre plastic cans. To reduce the uncertainty in raw material procurement the company established direct links with the farmers. The non-sunflower growing farmers in Gujarat, Madhya Pradesh, Rajashtan, Karnataka and Tamil Nadu were persuaded to grow sunflower as an in-between crop. The company provided the technical know-how and promised to buy their entire crop at a price higher than the support price offered by the government.

In April 1990, the consumer products division of Bombay Oil Industries was hived off to form a separate company Marico Industries Ltd. This allowed more focus on marketing. A fresh market research revealed that lapsed user and also many loyal users perceived the brand to be overpriced. The research also showed that as compared to the 1980s, in the 1990s, the housewives above the age of 30 were more aware and concerned about their husband's highly stressful lives.

As a follow-up action, the firm intensified its farmer contact drive to ensure a steady supply of a raw material and reduce the cost of inventory. In Maharashtra and Karnataka agriculture development cells were set up to promote cultivation of sunflower. By 1993 the company was able to bring about 24,000 hectares of land under company-supported cultivation. As the supply of raw material improved, inventory costs reduced further. To pass on this benefit to the consumer the prices on all pack sizes were reduced by 10 per cent, which brought about 38 per cent upsurge in volumes.

To encourage customer loyalty and establish long-term relationships a Safflola Healthy Heart Club (SHHC) was founded. The club was able to attain a membership of over 30,000 consumers and 15,000 doctors. The members were put on the company's regular mailing list. To add further value to the product

heart-care information booklets and brochers were distributed to the users of the brand. The company also tied up with major hospitals in the metros to offer a free heart check-up to SHHC members.

In 1994, the firm launched a promotional scheme offering a finger blood-pressure-checking machine to the buyers of Saffola at a concessional price of Rs. 2,500 a piece. In the first few months of the launch about 3,000 machines were sold.

To change the brand's image from curative to preventive, the message "good for the prevention of heart disease" was strongly communicated through the press and television. The brand was promoted as edible oil that is good for everyone and not just for the heart patients. The target segment was redefined to include all men and women above 30 years of age living a hectic urban life. The company used a subtle fear appeal very effectively in its ads.

Distribution was revamped and about 26 C & F agents and 1,500 distributors covered 72,000 retail outlets in all the class A, B1 and B2 towns. Saffola is a Rs. 550 million brand (year 2000), it has a 9 per cent share in the total refined oil market. The company has built its entire marketing strategy around " good for heart" core value of the brand. The effective use of communication at all the stages has helped in creating a friendly, warm and caring personality of the brand.

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CHAPTER 2

BRAND IMITATION

Buildings age and become dilapidated. Machines wear out.
People die. But what live on are the brands.

— Sir Hector Laing
Group Chief Executive Officer,
United Biscuits Plc.

BRAND IMITATION

Introduction

Imitating the look of an existing successful brand is a common occurrence in today's crowded marketplace. A negative experience with an imitator brand increases the evaluations of the original brand whereas a positive experience with the imitator have the opposite effect, and there is a decrease in the evaluations of the original brand. In other words, there are two situations where the original manufacturer can be hurt. First, the consumer may be dissatisfied with the brand purchased and attribute their dissatisfaction to the original brand, but not the imitator as they have not realized which brand was consumed. Second the consumer may be satisfied with the imitator brand, becomes aware that it is not the original brand, and switch brand preferences in favour of the (usually lower priced) imitator brand. Thus, this would harm firms by reducing the number of consumers who become repeat or loyal purchasers (Foxman *et al.* 1990; Stern and Eovaldi 1984).

Intentionally integrating the name, shape, symbol, colour, or look associated with a successful brand to a new brand on the marketplace can potentially shift sales away from the original brand to the new brand. This shift occurs because consumers may be led by similar cues to believe that the two brands are interchangeable. Although it is difficult to assess the dollar value of such practices, in a study on foreign infringement involving forty-five companies with worldwide sales of $ 113.2 billion, lost profits to foreign infringers were estimated to be $ 2.1 billion (Feinberg and Roussland, 1990). In addition to the possible monetary loss to original manufacturers, there is a potential reduction in the perception of quality or image of the original due to imitated brands that are cheaper and /or of inferior quality.

Therefore, the producers of successful established brands should be motivated to protect the distinctive identify of their products and their brand equity by prosecuting possible infringers under trademark laws.

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Meaning of Imitation and Brand Imitation

Brand Imitation: ***"By similar cues to believe that two brands are interchangeable."***

The dictionary meaning of Imitation is — To copy or be like. As far as copying is concerned it can be 100% copying or copying with some changes or copying some part only, in other words imitation exists in various forms.

According to the legal Glossary (1988), Government of India, "Imitation" means the action or product of imitating and "to imitate" means to follow as a pattern, model or sample, to produce likeness of.

As defined earlier (Chapter 1) a brand is a name, term, sign, symbol, or design,or a combination of them intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of the competitors. Thus Brand Imitation means to copy the name, term, sign, symbol, or design, or a combination of them. The copying can be 100% or of some parts only.

Brand Protection Committee (BPC) has classified imitation as — Counterfeit and Pass-off. We see a broad range of counterfeit or passoff product everytime we go to a market or store, and sometimes we may knowingly purchase counterfeit or passoff products. For example, CD's or VCD's or Audio-cassettes or shoes or clothes or watches. But we also unknowingly buy a lot of consumer products like detergents, toopthpastes, toothpowders, toilet soaps, shampoo, beauty products and cosmetics that are either counterfeit or passoff products. We pay for these counterfeit and pass-off products as if they were originals, but do not get the benefits of original products. The manufacturers and sellers of these products cheat us. In addition, several products could cause injury or even death due to the poor quality of the products.

I. Counterfeit Product. Counterfeit products are fake products, just like fake currency notes, and bear identical name of product/packaging / graphics/ colour scheme and even same name and address as the genuine manufacturer. In short, counterfeits are produced to look exactly like real products, by someone other than the legal owner of the real products, trademarks and product packaging. Counterfeiters are unscrupulous people who cheat consumers by selling a fake product as real. The counterfeiters are becoming more and more sophisticated in making their products look exactly like the real products. It is becoming more and more difficult to tell which is the real "Ariel" detergent powder,"Lifebuoy" soap,"Colgate" toothpaste, and "Ponds" talcum powder from the fake products.

II. Pass-off Product. Pass-off products are look-alikes, which use names, which are similar sounding or are similar in spelling (for example "Cliric"for "Clinic", "Head & Showers" for "Head & Shoulders", "Bala" for "Bata", "Vix" or "Vikes" for "Vicks"). Pass-off products cleverly use similar looking packaging or colour schemes or designs. These products are meant to deliberately mislead and cheat consumers. Pass-off product manufacturers make slight changes to avoid being categorised legally as counterfeits. In most cases these products are also illegal because they violate trademark and trade dress laws. Pass-off products also cheat gullible consumers and are as serious a problem as are counterfeit products.

According to Prof. Judith Lynne Zaichkowsky (1995), there are four distinct categories of infringing on IPR. They are counterfeiting, piracy, imitation brands and a large 'gray' area.

A counterfeit is a 100% direct copy usually having inferior quality, although not always. A counterfeit goods is one, which the manufacturer produces with the intention of deceiving the customer by leading buyers to believe that they are purchasing the genuine article. The most obvious example of this would be counterfeit currency. Other examples are as diverse as aircraft parts, watches, cosmetics etc. This form of infringement on IPR may be punishable by death in China (Birden 1996).

Piracy is counterfeiting. However, the intention is not always to deceive the customer. The customer is aware that the product he is buying is an unauthorized copy of the original product (McDonald and Roberts 1994). The consumer consciously seeks out and purchases the fake product through purchase

location, pricing, obvious difference in design, quality, or other features realized by the customer. Examples are pirated CD's, video games, and computer software sold at low prices, often with poor packaging.

Third catergory is of Knock-off or imitators. Here the product or service, though not identical, is viewed as similar in substance, name, shape form, meaning or intent to acknowledged and widely known product or service currently in the market place. E.g. Durbar Amla for Dabur Amla, Paile-G and Parag-G for Parle-G etc.

Gray marketing is when manufacturers produce more than the quantity required by the Western Companies and subsequently sell the overruns to the market illegally. This includes the unauthorised sale of garment production overruns by legitimately contracted manufacturers (McDonald and Roberts 1994).

Various Kinds of Imitation

Steven P. Schnaars has identified four different kinds of imitation that are frequently found in the business world. Imitation runs the gamut from surreptitious and illegal duplicates of popular products to truly innovative new products that are merely inspired by a pioneering brand.

I. Counterfeits or Products Pirates. Counterfeits are copies that carry the same brand name or trademarks as the original. They are an attempt to rob the innovator of due profits. Counterfeits are strictly illegal. They trade on the protected brand name or trademark of an established seller.

The counterfeiter duplicates the leader's product and package and sells it on the black market or through disreputable dealers. Firms such as Apple computer and Rolex are plagued with the counterfeiter problem, especially in the Far East and are seeking way to defeat counterfeiters. Counterfeits are usually of low quality, shoddy goods, sold under the guise of a premium-priced seller's respected name. They typically carry a much lower price than the original. Counterfeits are the least creative attempt at imitation. What sets them apart from other forms of imitative products is their illegality.

The consumer may or may not be aware of the intended deception.The cachet of a prestigious brand name at a much lower price may entice consumer inadvertently to support a counterfeiter's copy.

Counterfeits are increasing day by day, they steal several billions of business a year. Rolex & Carties watches, Parker Pen, Arrow Shirts, Levi, Wrangler Jeans are examples of products that have all been subjected to widespread counterfeiting. In recent years counterfeiting has become so widespread that sellers of popular brand products have been forced to track down and prosecute the counterfeiters. Search and seizure tactics are often used to slow the international flow of counterfeit products.

Much of the negative image attached to imitative product results from the illicit actions of counterfeiters. Their illegality is obvious and the impression is widespread that all imitations are of a similar ilk. It is no wonder that imitators are reluctant to crow about their successes.

II. Knock Offs or Clones. Clones are often legal products in their own right. The absence or expiration of patents, copyrights and trademarks makes many of them legal. But often there is a dispute, which the courts must resolve. Typically, clones sell the same basic product as the innovator but at a lower price and without the prestigious brand name.

For example personal computer was introduced in by the IBM, it became an immediate success. The success and the open architecture of the PC, created a secondary market for IBM-PC Clones. The clones were close copies of the IBM product but carried their own brand names, not the brand name of the original. Eventually the copies surpassed the original.

Outside the computer industry, clones are usually called Knockoffs. Knockoffs are legal copies of a competitor product. Consider the case of Tyco toys, which has succeeded on numerous occasions by copying the innovations of others. In 1984 Tyco introduced Super Blocks, a Children's plastic building

block that is nearly indentical to those sold by Lego, the market leader from Denmark. Lego sued to protect its product from imitation, but its case was weakened by the fact that its patent had expired in 1981. Furthermore Lego itself had copied the product from an English firm in the 1940s (Discovered by Forbes reporter in 1998). Lego lost the case and by the late 1980s, Tyco was selling $ 20 million a year worth of "Super Blocks".

Tyco repeated the strategy with super Dough, a direct copy of Kenner Parker's Play— Doh. Kenner Parker also sued. It also lost. For Tyco, copying proved to be a potent strategy. It sells knockoffs of established products at significantly lower prices.

III. Design Copies or Trade Dress. Design copies trade on the style, design, or fashion of a competitor's popurlar product. In instances where fashion or design is the most important part of the product, design copic mimic clones. But in instances where design plays a lesser role, design copies may be based on a unique and innovative technology. Design copies then combine aspects of innovation and imitation.

Example 1. The case of Japanese luxury cars: In the late 1980s the Japanese auto sellers moved up-market to challenge the German luxury auto makers Mercedes and BMW with prestige models of their own: Lexus (Toyota), Infiniti(Nissan), and Acura (Honda). The Germans assert that the Japanese are using a familiar marketing strategy—they emulate the innovator and sell at a lower price. In this case the Japanese are accused of copying the coveted German design features. A BMW marketing executive is quoted by Business Week as saying : "Look at the shape of Lexus, it's almost a blatant copy of Mercedes." The product carries it own brand name and possesses its own unique engineering specifications. It merely mimics the design of the market leader.

Example 2. A nearly identical situation occurred with the Mazda Miata. A lengthy analysis of that product's entry in the New York Times concluded that the Miata is a design copy of the popular English sports cars of the 1960s and 1970s, especially the Triumph Spitfire. Mazda produced a clasic British sports car without the attending quality problems that plagued the originals.

IV. Creative Adaptations/Adopter. Creative adaptations are the most innovative kind of copy. They take an existing product and either improve upon it or adapt it to a new arena of competition. They are what Theodore Levitt calls "Innovative imitations."

Creative adaptations of existing products are often more in tune with the innovation process than the glorified notion of the breakthrough invention. There is a myth in American culture that innovation springs from the creative genius of heroic inventors. But few innovations actually develop in that way. Most innovations are deeply rooted in existing ideas and current practices. They are more accurately viewed as creative adaptations of existing ideas to new applications or incremental improvements. Innovation, in short, is often more incremental than revolutionary. Ideas rarely appear out of anywhere. Typically, new products build on old products. Stated differently, innovation often entails a great deal of imitation and extension.

Conversely, imitation often entails large degree of innovation. That is especially true in business, where the motivation for imitation is not necessarily to produce exact copies of original works but to earn profits. Art forgers may seek to profit by creating exact copies, but in business copiers have other motives. The imitator (in business) is not directly concerned with creating a good likeness, but with achieving an economic success. That is, copying is a means to an end, not an end in itself. As a result the best business imitations often combine copying with creativity. In that way, technological development moves forward a small step at a time.

Creative adaptations often take the form of either copying and then making incremental improvements on existing products or adapting existing products to new situations.

Why are Imitator Brands Launched?

Factors for Brand Imitation
• ***Consumer Factors***
Desirability of Top and Western Brands
Little Knowledge of Authentic Brands
Unavailability of Top Brands
Low Income.
• ***Company Factors***
Economic
Lack of Infrastructural Support
• ***Cultural Factor***
Moral Aspect

Box 2.1

I. Consumer Factors

(i) Desirability of Top and Western Brands. Brand names, especially well known/top and foreign brands are appealing to the consumers for the status these gives to them. These brands typically costs two to three times as much as the imitator, but they are snapped up by status-conscious consumers who want to show off that they can afford to spend.

(ii) Little Knowledge of Authentic Brands. Indian consumers do not have much knowledge about various alternatives. The situation is more worse in rural areas where people do not know how to distinguish the different brands.

Due to poor literacy rate consumers generally have low expectations towards products they are going to purchase or consume. When the perfomance of the product does not meet their expectations, they tend to attribute the failure to fate rather than to the company from whom the product was purchased or even the manufacturer. In urban areas also due to lack of time or to save themselves from unnecessary botherations consumers are reluctant to complain about products that do not meet their expectations. In view of this, the consumers are more vulnerable to pirates and imitators.

(iii) Unavailability of Top brands. Consumer brand awareness and choices among brands are inhibited by the country's limited retail distribution network. The top brands are available at limited locations and in some places due to lower margin, retailers patronize imitated products.

Imitated products fulfil the needs of a group of customers looking for cheaper products, notably where genuine article manufacturers or their distributors fail to adequately service the market place.

(iv) Low Income. The financial position of a majority of the population is not sound. The imitator caters the needs of this class with a reasonably lesser priced product.

II. Company Factors

(i) Economic. The copying of imitated product is a low cost phenomenon. Moreover the Company has the advantage of advertising and other strategy adopted by the genuine manufacturer/marketer (or both). Hence there is a great opportunity for profit.

(ii) Lack of Infrastructural Support. Most ot the companies in India do not have the infrastructural support to 'make their dreams come true'. They have the skill but not the money to build the infrastructure strong enough to stand against the big companies. So they resort to copying.

III. The Culture

(i) Moral Aspect. There is a cultural difference in morality and perspective between people in the East and the West. Copyright and patent protection reflect a characteristic value of the Western world in general.

Asian nations 'traditionally believe that copyright is a Western concept created to maintain a monopoly over the distribution and production of knowledge and knowledge-based products. (Kau *et al.* 1993). In our country, the highest form of flattery is represented by a student who faithfully reproduces the work of his teacher. In contrast, Western students are taught never to copy and encouraged to be original.

What to Imitate

The various types of copies discussed earlier apply mostly to products and services but imitation is not restricted to products and services. It is also possible to copy procedures, processes or strategies.

Thus it is the Products, Procedures, Processes or Strategies which can be copied.

I. Products. Japanese competitors have excelled at copying American products and selling them on world markets at lower prices. The press is loaded with examples of how American firms have failed to reap the economic benefits of innovations made in America.

In recent years, it is seen that Japan has switched over from a product imitator to a product innovator. But it would be a mistake to conclude that the Japanese have sworn off imitation and embraced innovation. Instead, they have embraced the benefits of both approaches to new product introduction, applying each where appropriate.

American competitors have been less successful in copying Japanese Products. Nathan Rosenberg and Edward Steinmueller attribute that shortcoming to an overemphasis on innovation. They observe , "American thinking about the innovation process has focused excessively upon the earliest stages" of R & D. The focus of American firms on basic research in pursuit of "Creative leaps"results in a "preoccupation with discontinuities and creative destruction, and its neglect of the cumulative power of small, incremental changes."

II. Procedures, Processes and Strategies. It is also possible to imitate the procedures, processes and strategies of competitors. In recent years, American firms have been especially interested in copying the procedures that have made Japanese firms so competitive on world markets. For a variety of reasons, however, it is more difficult to reverse engineer intangible process than it is to copy physical products. Not only are process innovations intangible and rooted in culture and organizational design, they are also easier to keep secret. Edwin Mansfield, for example, found that process technology leaks out more slowly than product innovations .

The results are as might be expected: The Japanese generally have had more success in copying Western product innovations than American firms have had in copying Japanese processes and operational innovations.

Processes, procedures and strategies are often culturally bound. Consequently, imitations of them often must be tailored to fit a particular society. That means such imitation must entail a healthy degree of innovation.

When Japanese organizations have copied American procedures they have usually adapted those innovation to fit their own culture. An insightful book by D. Eleanor Westney examined Japanese imitations of Western ideas between 1868 and 1912, the Meiji period, when Japan sought to transform itself quickly from a feudal society to a modern industrial nation. She studied in great details a small number of case histories where the Japanese conscientiously copied European practices. What she found was that

imitation and innovations are inextricably intertwined. In the case of creating a modern police force, for example, the Japanese first conducted a ten month study of the Paris Police force. They then copied the idea, but found that it could not be applied without adapting it to their own peculiar needs and culture. She concludes that successful imitation of procedures almost always requires innovation.

Sometimes firms even copy each other's promotions. Radio stations often do so. Nationwide communications, which owns a successful group of radio stations around the country, has raised imitation to a high art. In 1991 Forbes reported that Nationwide often copies promotions from competitors and then claims them as its own.

How Coke is Copying Pepsi
• Like Pepsi, Coke has started sponsoring local events and staging frequent consumer protection campaigns. ***The Mimic Marketing Principle:*** *Dislodge the pioneer from the customer's top-of mind space.* • Like Pepsi, Coke is picking up equity stakes in its bottlers to guarantee them financial support. ***The Mimic Marketing Principle:*** *Offer downstream partners greater help than the pioneer.* • Like Pepsi, Coke is using locally- created advertisements, using the Indian idiom, to strike a chord with consumers. ***The Mimic Marketing Principle:*** *Beat the pioneer using his own language of communication.* • Like Pepsi, Coke is pushing the Indian brands in its basket instead of focusing on only its flagship. ***The Mimic Marketing Principle:*** *Use the pioneer's tactics with greater resources to back them.*

Box 2.2

In 1997, the Rs. 758.60 crore Nirma Group had launched new commercial for its Nirma Lime Fresh Soap, which takes on the Rs. 6,600 crore Hindustan Lever's (HLL) Liril Lime with a Rs. 4.60 price advantage (Rs. 7.90 for a 75-gm bar versus Rs. 12.50). The advertisement was a virtual reincarnation of the Liril series, featuring a lime-green bathing-suited model frolicking in water .

IMITATION VERSUS LATER MARKET ENTRY

The concept of imitation is related to, but distinct from, the concept of later market entry. Imitation implies copying, where the imitator consciously mimics the pioneer's product. Later entry, in contrast, implies only that the firm has entered the market after the pioneer, often with an innovative product of its own.

Likewise, the concept of innovation differs from pioneering. Innovation conveys a strong hint of invention—the process whereby a firm develops a radically new product. Pioneering, in contrast, implies commercialization, where a firm is the first to bring a product to the market.

Table 2.1 Illustrates the possible combinations of innovation/imitation and pioneering/later entry.

TABLE 2.1

Imitation versus Later Entry

	Innovator	*Imitator*
Pioneer	The innovator is first to market with an innovative product. Rollerblades introduced the first in-line roller skates	An imitator beats the innovator to market with an imitative product typically while the innovator lingers in test marketing. Reynolds introduced the first ball point pen,which it copied from the innovator.
Later Entrant	One innovator is beaten to market by another innovator. Each has developed its new product independently. Matsushita's VCR entered after Sony's but it was an innovative product in its own right.	The imitator enters the market after the innovator with a copy of the innovator's product. Diet Coke did it in low-calorie soft drinks.

Source: Schnaars, Steven P., "Managing Imitation Strategies: How Later Entrants Seize Market from Pioneers'" New York, Free Press, 1994.

Typically, imitation implies later entry. Lacking an innovation of its own, the imitator enters the market after the pioneer's entry with products that are "imitative" or improved versions "inspired" by the pioneer's innovation.

In diet soft drinks, for example, Coke and Pepsi may have copied Royal Crown's innovative idea (which Royal Crown, in turn probably had copied from others.)

But later entry does not necessarily imply imitation, often firms simultaneously, but independently, pursue similar innovative products. When one firm rushes its entry to market, the later entrant perforce must introduce its own innovative product after the innovator's entry. Consider, for example, the case of Sony's Betamax VCR versus Matsushita's VHS format. Sony pioneered the market for videocassette recorders. Matsushita was a later entrant. But, VHS was not an imitation of Beta. It was developed independently. Matsushita was working on an innovative product that just happened to be brought to market after Sony's Betamax; consequently, Matsushita was a later entrant but not an imitator.

In some cases, the distinction between copycats and later entrants in clear. In others, however, it is difficult to assess the motivation for product entry. DeHavilland for example, was the pioneer in jet aircraft, and Boeing was a later entrant. But while Boeing had an innovative design of its own derived from its work on jet bombers, it clearly learned much from DeHavillands's mistakes.

Although it is sometimes difficult to distinguish between imitators and later entrants in practice, there are clear conceptual differences.

An imitator copies at least some aspect of a pioneer's product.

A later entrant enters the market after a pioneer's successful entry.

Classifying Later Entrants

Later entrants can be classified in two ways: according to the sequence in which they enter the market after the pioneer and according to the amount of time that has elapsed between entries.

Order-of-entry effects tabulate the sequence of market entry—the pioneer, by definition enters first, followed by the second, third and subsequent entrants.

Early versus late followers are classifed according to whether a firm reacts immediately to a pioneer's entry or waits until much later to enter.

The distinction between early and late followers was illustrated metaphorically back in the mid 1960s by Theodore Levitt with the " used apple policy." He described early followers as follows:

"Instead of being the first company to see and seize an opportunity they systematically avoid being first. They let others do the pioneering. If the idea works they quickly follow suit............ (Early followers say:). We don't have to get the first bite of the apple. The second bite is good enough.... they at least get the second big bite, not the tenth skimpy one."

The implication is that, in many instances, there is such a thing as being too early or too late. The pioneers bear undue risk, while the much later entrant misses most of the opportunity. The early entrant, in contrast, earns most of the economic rewards.

Deciding who is the Pioneer?

Defining a pioneer seems simple — it is the first firm to introduce a new product. But a problem is often encountered when that definition is applied to actual case histories. Typically, many firms enter and leave sometimes over a period of decades, before the pioneer finally cracks the market and achieves commercial success. In light beers, videocassette recorders, personal computers, and a host of other innovative product categories that are now commonplace, there was not one single pioneer but a sequence of potential pioneers that entered and left the market before someone actually succeeded. Who was the pioneer / Was it the earliest explorers, who was killed on its unsuccessful quest? Or, was it the first firm actually to achieve commercial success?

Complicating the issue is the fact that in many cases the successful pioneer learned much about the market from the efforts of its unsuccessful predecessors. That is, many pioneers rely heavily on imitation and product improvement to pioneer new markets. In this study the following definition is used.

A pioneer is defined as any of those firms introducing a product to the market, up to and including the first to sell it successfully.

FIRST-MOVER ADVANTAGES VERSUS FREE-RIDER EFFECTS

Pioneers benefit from "first mover" advantages, which results from their being the first firms to establish themselves in the market. But pioneers do not possess all of the competitive advantages."First mover" advantages are counter-balanced by "free rider" effect, which accrue to imitators and later entrants. Which effect is stronger ? Rhetorically the outcome of the argument depends on which metaphor is used to describe each set of advantages.

Proponents of pioneering explain "first mover" advantages by imagining a 5-Kilometer footrace in which the pioneer leaves the starting line before the other contestants. The greater the length of the pioneer's lead the less likely it is that later entrants will ever catch up. In fact, the very last entrants have almost no chance of placing anywhere near the front of the pack. Only in those rare cases where the later entrant possesses outstanding physical talents or reacts quickly to the pioneer's entry can the horrendous odds of leaving the starting line after the first entrant be overcome to win the footrace.

Proponents of later entry illustrate "free-rider" effects with a metaphor drawn from geographic exploration. According to this view pioneers took on enormous personal risks to explore uncharted lands in the Western United States. They opened up the wilderness for the settlers who followed. Some pioneers are immortalized in history textbooks, but most were not enriched monetarily for their trail-blazing explorations. That benefit went to the settlers who created economic wealth. The pioneers may have gotten the glory, but it was the followers who reaped the largest economic rewards.

I. First Mover Advantages

Many authors speak glowingly of the benefits of pioneering. Pioneers, they claim, are the beneficaries of numberous first-mover advantages, which are unavailable to later entrants. The most important are :

(i) Image and Reputation. Pioneers benefit from important reputation advantages that derive from their innovative products and early entry. They bask in the warm glow of a positive image infused with innovativeness and progressiveness, while the later entrants are stuck with a copycat image, which tarnishes the appeal of their products and hinders the firm's performance.

(ii) Brand Loyalty. Pioneers have an opportunity to create loyal customers for their innovative products. Consumers become familiar with and even form habits around the first product they try. If the innovative product is designed corretly and priced competitively, there is no reason for consumers to experiment with similar products sold by imitators and later entrants.

Support for that advantage comes from a number of studies that show long-lived market share advantages for established brand names. One study (Schnaars, 1986) found that nineteen of the leading twenty five brands in 1923 were still number one in their product categories in 1981 (four others were strong number twos, and none was less than fifth in its product category). Proponents of pioneering argue that the first brand has the opportunity to establish itself as the leading brand, which leads to long term market share advantages.

Additional support comes from two studies, one by Joe Bain and another by Richard Schmalensee, who picked up on Bain's original finding that brand loyalty accrues to the pioneer. Schmalensee concludes that:

"........brands enter sequentially and consumers are intitially skeptical about their quality. When consumers become convinced that the first brand in any product class performs satisfactorily, that brand becomes the standard against which subsequent brands are rationally judges. It thus becomes harder for later entrants to persuade consumers to invest in learning about their qualities than it was for the first brand."

(iii) An Opportunity to Pick the Market Position. Pioneers have the first opportunity at product positioning. If they understand the market correctly and can correctly predict which product attributes will ultimately be the most important to consumer, they can preempt the most favourable market position before the later entrants even have a product on the market. Later entrants will then be forced to pick between two unappealing choices: (i) They can adopt an inferior product position, or (ii) They can copy the pioneer's product position and be saddled with the perception that their product is "me-too" second rate entry. Both strategic choices place the later entrant at a competitive disadvantage. By moving first, the pioneer preempts the premier positioning strategy, forcing the later entrant into an unfavourable and often untenable market position.

(iv) Technological Leadership. Because it starts first, the pioneer is likely to have a head start in technology as well as market position. While competitors play catch-up, the innovator can pursue the next technological generation, staying one step ahead of lagging entrants.

(v) An Opportunity to Set Product Standards. Pioneers have an opportunity to define an emerging product category in terms of their own products. They can set industry standards, which later entrants are forced to follow. The first group of customers becomes familiar with the pioneers product. As that established base of users grow, it becomes harder and harder for later entrants to switch the market over its own proprietary standard.The later entrant is compelled to imitate the pioneer's product and adopt a subservient position.

(vi) Access to Distribution. In many cases, there is room for only a limited number of brands in distribution channels. By virtue of being first, the pioneer ensures that his products have access to preferential distribution. Later entrants are less fortunate. They may find themselves shut out of the distribution network simply because of their later entry. In the early days of personal computers, for example, there were nearly 150 different brands, only a handful of which found their way into the computer store retailing chains, which were the dominant form of distribution in the early 1980s. Many technologically worthy brands perished for lack of distribution caused by later enrty.

(vii) Experience Effects. Experience effects are cost advantages that accrue to the firm that has produced the largest accumulated volume. Since the pioneer is the first entrant, it is most likely to slide down the experience curve faster than later entrants. These cost advantages place later entrants with less experience at a competitive disadvantage. That gives the pioneer a price advantage that cannot be matched by later entrants. Typical of such claims is the comment that " the initial price advantage for an established brand gives it a market share advantage over time and may enable it to enjoy a monoply in the market".

(viii) Patents as a Barrier to Entry. Patents granted on innovative products can be used to lock out later entrants. Innovative pioneers are able to gain control over the essence of innovative products, which allows them to reap the economic benefits.

(ix) Switching Costs as a Barrier to Entry. Pioneer can also raise barriers to entry by building mutually benefical relationships with their customers. Those relationships keep customers loyal to the pioneer's product and keep competitors at bay. Long-term contracts, familiarity with the first supplier's product, a lack of incentive to switch, and other intentional and unintentional inhibitors serve to bind the buyer to the first seller.

Support for First Mover Advantages

Numerous empirical studies have found that first-mover advantages result in long-lived market share advantages for pioneers. Table 2.2 lists some of the studies that have found in favour of pioneering.

TABLE 2.2

Empirical Studies that Found for Pioneering

Study	*Sample*	*Conclusion*
Bond and Lean (1977)[1]	Two Prescription drugs.	"The advantage to firms of being first to offer a new type of drug is considerable an physicians'first brands appear to insulate firms from competition even more effectively than do patents."
Whitten(1979)[2]	Seven cigarette product categories.	".....the first entry brand received a sustantial and enduring sales advantage".
Robinson and Fornell (1985)[3]	371 mature consumer goods manufacturing businesses in the PIMS database.	"In a broad cross-section of consumer goods businesses, market pioneers generally have substantially higher market shares than later entrants.
Urban *et. al.*(1986)[4]	24 frequently purchased consumer products.	"The results of our analysis imply a significant market share penalty for later entrants."
Lambkin(1988)[5]	129 start-up and 187 adolescent businesses in the PIMS database.	"...these results confirm the general tendency observed in previous research for pioneers toout perform all later entrants ....."

Robinson(1988)[6]	1,209 mature industrial goods manufacturing businesses and 584 later entrants. consumer goods businesses (an update of Robinson and Fornell 1985)in the PIMS database.	"In a broad cross-section of mature industrial goods businesses market pioneers have mature importantmarket share advantages over later entrants.
Carpenter and Nakamoto (1989)[7]	Two experiments using a total of 103 MBA students.	"..... the pioneer occupies a favourable perceptual position that is difficult to imitate and costly to compete against, yielding a powerful competitive advantage".
Kardes and Kalyanaram (1992)[8]	Two longitudinal experiments using a total of 86 MBA students.	"...Judgemental processes of lead to a long-run pioneering advantage........"

Sources: 1. Bond,Ronald and Lean, David, "Sales, Promotion and Product Differentiation in Two Prescription Drug Markets, "Washington, D.C. Federal Trade Commission, Bureau of Economics, Feb. 1977, p. 77.

2. Whitten, Ira, "Brand Performance in the Cigarette Industry and the Advantage of Early Entry, 1913-1974." Washington, D.C. Federal Trade Commission, Bureau of Economics, 1979, p. 41.

3. Robinson,William and Fornell, Claes.,"Sources of Market Pioneer Advantages — The Case of Consumer Goods Industries,"Journal of Market Research, August 1985, pp. 305-17.

4. Urban, Glen: Carter, Theresa; Gasking, Stevene and Mucha, Zofia, "Market Share Rewards to Pioneering Brands — An Empirical Analysis and Strategic Implications,"Management Science, June 1986, pp. 645-59,.

5. Lambkin, Marry,"Order of Entry and Performances in New Markets," Strategic Management Journal, Summer, 1988, pp. 127-40.

6. Robinson, William, "Sources of Market Pioneer Advantages: The Case of Industrial Goods Industries, "Journal of Marketing Research, February, 1988, pp. 87-94.

7. Carpenter, Gregory and Nakamoto, Kent, "Consumer Preference Formation and Pioneering Advantage," Journal of Marketing Research, August 1989, pp. 285-98.

8. Kardes, Frank and Kalyanaram, Gurumurthy, "Order-of-Entry Effects on Consumer Memory and Judgement — An Information Integration Perspective, "Journal of Marketing Research, August 1992, pp. 343-57.

II. Free Rider Effects

Critics contend that the benefits of pioneering have been grossly oversold. While in theory first-mover advantages appear to be strong and immutable, in practice they prove to be weak and vulnerable to the actions of crafty later entrants.

Support for Free-Rider Effect

Critics argue that constructing actual case histories of sequential market entry is a more realistic approach than that employed by supporters of pioneering. Analyses based on historical profiles of actual competitive entries have proved much more supportive of imitation and later entry, and much less supportive of pioneering. Some of the more important studies are listed in Table 2.3.

Numerous benefits have been proposed for later entrants. Some of the more important ones are:

(i) Avoiding Products that have no Potential. Later entrants avoid spending time and money on products for which later there turns out to be no demand. Their strategy is to sit back and watch. Only when the market potential becomes clearly favourable do they move in and gain a viable and often commanding lead. That reduces their risks and lowers their costs considerably, although they may have to spend heavily during the later stages of market development to overcome their later start.

TABLE 2.3

Empirical Studies that Found for Later Entry

Study	*Sample*	*Conclusion*
Cooper(1979)[1]	a survey of executives concerning 195 new product projects in Canadian firms.	".....the advantages of being 'first in' are almost equally balanced by the many pitfalls and disadvantages."
Glazer(1985)[2]	"a careful study of entry and exit in several dozen markets" for daily news papers in IOWA.	"observers who look only at performance of early entrants in successful markets will overestimate the advantage of innovation."
Schnaars(1986)[3]	detailed case histories of 12 product categories.	"pioneering, early entry and late entry each has produced its share of winners and losers..... blanket statements such as pioneering is best cannot be supported."
Sullivan(1991)[4]	historical profiles of 11 consumer non-durable product categories.	"...late-entering brand extensions have been able to attain large market shares, even in the face of competition from strong incumbents".
Golder and Tellis (1992)[5]	detailed historical analysis of 50 consumer products.	"... being first in a new market may not confer automatic long-term rewards. An alternative strategy worth considering may be to let other firms pioneer and explore markets and enter after learning more about the structure and dynamics of the market".

Sources: 1. Cooper, Robert, "The Dimensions of Industrial New Product Success and Failure," Journal of Marketing, Summer 1979, pp. 93-102.

2. Glazer, A., "The Advantages of being First," American Economic Review, June 1985, pp. 473-80.
3. Schnaars, Steven, "When Entering Growth Markets. Are Pioneeres Better than Poachers?" Business Horizons, March- April 1986, pp. 27-36.
4. Sullivan, Mary, "Brand Extension and Order of Entry," Cambridge, Mass: Marketing Science Institute, Report No. 91-105, March 1991.
5. Golder, Peter and Tellis, Gerand. "Do Pioneers Really have a Long-term Advantages? A Historical Analysis" Cambridge , Mass: Marketing Science Institute, Report No. 92-124, September 1992. p. 26.

(ii) Survivor Bias. Advocates who claim powerful and long lasting benefits for pioneering of ten fail to consider the risk inherent in pioneering new and unproven markets. They fall victim to sample bias. Most studies of first mover advantages focus solely on markets that started small and ended up large, they do not consider markets that started small and ended up even smaller. As a result, those studies minimize the extent to which money and effort are wasted on products for which there is no demand. They eliminate much of the risk of pioneering from the analysis. Those advocates inadvertently ignore the fact that many

pioneers simply are not around to study at a later date. If similar methodology were to assess the characteristics of big slot machine winners, it might conclude that big winners tend to bet big and play often. That would be because the study examined only large winners. But in gambling, playing often is likely to lead to large losses as well as that one large win.

A study by Golder and Tellis examined patterns of pioneering and later in 50 product categories. Pionering proved fairly risky. Overall, 47 per cent of pioneers failed furthermore market pioneers maintained leadership in only 11 per cent of thirty-six cases.

(iii) Estimates of New Product Failure Rates. Although the business press is choke full of post hoc receievs of emerging technologies and successful new products the fact that many new products, especially radically new products, fail to generate much interest among buyers. Expectations for demand typically turn out to be much higher than actual sales. For example, for every cellular telephone there is a picture telephone. For every Polaroid camera there is a "Nimslo" a three-dimensional camera — a sort of late twentieth century update of the hand-held stereoscopic devices found in antiques stores. The fact is, many pioneers introduce new products for which there is no demand. That means they spend time, effort and money on opportunities that do not exist.

If survivor's bias inflates the advantages of pioneering then the key question becomes: How likely is that the pioneer will pursue an opportunity that will not pan out? Some indication of those odds can be gleaned from the surprisingly small body of research of new product success and failure rates.

There are actually two ways to measure product success and failure. The first one is to assess the likelihood that a new product idea, once conceived, will eventually make its way to the market. Studies that have looked at this issue conclude that the majority of new product ideas are killed before ever being sold to actual consumers. That is money is spent on ideas that never reach the market. The second way to measure product success and failure is to assess the likelihood that once a product is brought to market it will be either accepted or rejected by consumers. The relationship between those two measures is illustrated in Fig. 2.1 as follows.

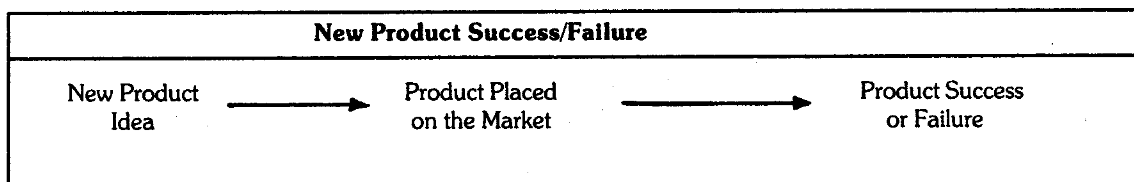

Fig. 2.1

The highest rate of product failure occurs during the first stage — the time between an idea's conception and its introduction in the market. Although precise estimates vary greatly, there is general agreement that the majority of new product ideas never make it to the market, They are terminated at some stage of the development process. The innovative firms spend time and money on such products only to conclude that there is little chance of market success.

There is less agreement over how often products fail once they are actually placed on the market. Some experts claim that between 70 and 90 per cent of all new products fail in the market place. One study, which surveyed 166 managers from 112 leading manufacturers and retailers found that only 8 per cent of new product project actually made it to market and of those 83 per cent failed when they were introduced. All told, the managers felt that 99 per cent of all new product effort is wasted on products that ultimately fail.

Thus, it is clear that new products must run a gauntled of risks before "success" can be claimed. In 1975, a study by Edwin Mansfield and Samuel Wagner tried to capture the overall likelihood of success by assigning and then combining, individual probability estimates at each stage of the product develop-

ment process from a product idea to market success. In 1987, Glenn Urban, John Hauser, Nikhilesh Dholakia adapted that idea, changed the estimates to match their personal experiences, and extended it to consumer products. It was concluded that new consumer products have only a 16 per cent chance of eventual market success. Fully 84 per cent of new product ideas fail somewhere along the line.

Success for Consumer Products

Probability of successful design		*Probability of successful test market given design*		*Probability of market success given successful test market*		*Overall probability of success*
50%	×	45%	×	70%	=	16%

Fig. 2.2

A similar set of estimates concluded that industrial goods have a 27 per cent chance of success.

Success for Industrial Products

Probability of technical completion		*Probability of commercialization given technical completion*		*Probability of economic success given commercialization*		*Overall probability of success*
57%	×	65%	×	74%	=	27%

Fig. 2.3

There is a tremendous amount of financial risk in new product development. The chances of failure are especially high for radically new technological products and products and products that establish entirely new categories. According to Crawford "The higher a project's financial return, the higher the risk of failure associated with it ."

If a later entrant is able to partake in the rewards without having to partake in the risks, which are borne solely by the pioneer, then the risks of innovation are raised considerably, while the rewards are lowered. The risks fall solely to the pioneer while the rewards spread to others. From the perspective of the later entrant that adage can be twisted: "much gained with little ventured." Thus proponents of free rider effects claim that later entrants benefit greatly by avoiding product failures.

(iv) Lower R & D Expenditures. Imitation is less expensive than innovation. It avoids many of the costs that must be borne solely by the first entrants. The innovator, for example, is forced to spend heavily on research and development and educating wary consumers as to the desirable benefits of the new product. The question is not whether imtiation is less expensive than innovation — it clearly is — but whether sustainable benefits accrue to the pioneer who takes on those enormous expenses. That point is debatable.

Innovators are forced to spend heavily on research and development in order to identify and bring to market new products. That expanse is justified by the assumption that innovators gain a long lead on imitators, who are simply unable to catch up. An empirical study by Edwin Mansfield found that the opposite outcome is more probable. The study examined data from one hundred firms and found that imitation often occurs quickly. It concluded that new product R & D projects typically found their way into the hands of competitors, within twelve to eighteen months. In 20% of the cases, competitors knew product development projects within six months of their inception, Since it takes about three years for a new product to make is way from an idea to the market place, "there is a better-than-even chance that the decision will leak out before the innovation is half completed". That leakage weakens the allure of

purported first-mover advantages and enhances the appeal of free-rider effects. It also explains why imitation occurs so quickly in many applications.

Companies learn about each other's new product development projects, (i) by monitoring each other's patent applications, which require going public with the firm's innovative ideas, (ii) through papers and presentations at professional and academic conferences attended by scientists and engineers, and (iii) when technical and marketing personnel switch jobs, taking with them inside information that, if not maliciously, then unintentionally, spreads knowledge.

(v) Relative Costs of Innovation versus Copying. It is clearly cheaper to imitate than to innovate. The imitator avoids many of the costs incurred by the innovator. Mansfield, Schwartz, and Wagner examined forty-eight product innovations in the chemical, ethical drug, electronics and manchinery industries and found that, on an average, imitation costs were only 65% of innovation costs.

An imitator frequently can spend much less time and money on research than the innovator because the product's existence and characteristics provide the imitator with great deal of information that the innovator had to obtain through its own research, but there are odds as an example of the power of first mover advantages.

A strong first-mover advantage was observed for Antianginals, an ethical drug that relieves the pain of the blocked coronary arteries. Warner-Lambert introduced peritrate in 1952. By 1956, Peritrate (and variations) held more than 70% of the market. Later entrants came in droves. By 1971, ninety-seven firms were selling 229 brands of Antianginals. Still, Warner-Lambert, maintained a 30% share. Why did Peritrate succeed? Bond and Lean attribute success to two factors: (i) Peritrate was the pioneer and as a result, (ii) doctors were reluctant to switch from the first brand with which they had become familiar.

But, doesn't this result apply to other industries? The entire ethical drug industry is peculiar. It is characterised by conditions that favour pioneering first, it is doctors not consumers, who decide on the brand. Second, price is less important because physicians, and in many cases the patients themselves, do not pay for the products. Third, patients have little knowledge of competitive products and even less opportunity for comparison-shopping.In essence, the consumer buys what the doctor orders. Finally, patents are more protective in ethical drug than in most other industries. Overall, few other markets offer the peculiar combination of conditions found in ethical drugs. Thus, pionneering leads to clear advantage in some very selective instances.

(vi) An Opportunity Gain Share with Heavy Promotion. Later entrants may also be able to make up for their slow start by spending heavily on marketing. In other words, they may be able to trade up-front R & D expenditures for later promotional spending , thereby nurturing what they are unable to conceive. Robert Cooper, in a study of the new product practices of two hundred firms, supports that contention. He found that heavy spending on R & D did not increase the likelihood of new product success. According to Robert Cooper, "Marketing resources appears to be the most critical in deciding a successful new product program". The strength of the marketing areas — market research, advertising, promoting, sales force and distribution prowess-were far more influential than expertise in the technolgical areas — engineering, R & D and production. According to Cooper some firms relied more heavily on marketing to push their products than on R & D to gain a dominant position.

(vii) Lower Costs of Educating Consumers. By being first the pioneers must spend heavily to inform and persuade consumers on to the merits of a new product. That is especially true for radical innovations with which consumers are unfamiliar. In such instances the innovator must spend heavily. Over long periods of time, to incubate a technology before it attracts large numbers of paying customers. During that incubation period, costs are high and revenues are low as the product prepares for life outside the pioneer's womb. Once again, the merits of such heavy up-front expenditures to incubate the market are defendable only if the rewards accure to the early spender. If the pioneer is forced to spend heavily to convince the public of the product's promise only to lose its early lead, then waiting may be a preferable strategy to pioneering.

(viii) Technological Leapfrog. When a major product is introduced, one that creates a huge growth market, it is never quite clear what the innovation will ultimately look like. Rarely do innovations spring forth from the laboratory fully formed. Instead, they are often crudely formed devices, based on first generation technologies that evolve with markets they seek to serve. The question is — What happens when the first generation technology falls by the wayside?

Proponents claim technology leadership is the key benefit of pioneering. The pioneer is able to update his technology to stay current with the latest development. Later entrants are not so lucky. As a result of their entry, they are perpetually one step behind the pioneer. Or, are they?

In many cases, first-generation techonology presents both a risk and opportunity for pioneers. Typically, the pioneer picks the most modern technology available at the time of first entry. But that choice can quickly become outdated. The pioneers may then find it difficult to switch technologies once they have invested so much in the first generation. The switch from 8-bit to 16-bit personal computers, Word Star to Word Perfect in word processing software and CP/M to Ms-Dos in operating systems was anything but smooth. In each case, as well as in many others, the change in technology favoured later entrants over pioneers. The pioneers were worse off than those who entered later. As the technology evolved, later entrants had an opportunity to leapfrog pioneers.

(ix) Sticking the Pioneer with an Obsolete Standard. Proponents of pioneering argue that the very first entrant has an advantage when it comes to setting standards. By being first, the pioneer is able to impose its standard on the market, forcing followers into the subservient postition of imitating its innovative design. Once again, practice is often at odds with the theory.

It is true that a product standard eventually emerges, which defines the entire product category. Many sellers then rally around that standard. In personal computers, for example, there was competing and proprietary operating system until IBM largely standardized the design of a personal computer around the MS-Dos standard in 1981. Matsushita likewise set the VHS standards for VCRs. Abernathy and Utterback refer to this process as the emergence of a "dominant design".

But standard are not necessarily set by first-generation tenchnology. That too, creates an opportunity for later entrants. In the case of VCRs and personal computer operating systems, as well as many others, later entrants were unencumbered by investments and reputation in first-generation designs. By adopting a wait-and -see attitude, they are able to enter at a point where the market has grown larger and more appealing with a product targeted specifically at the most attractive segments. As a result, standards are often set by larger, more powerful later entrants, who enter later but with a superior product.

One point is clear: It is nearly impossible for the pioneer to get everything right on the first try. To do so would require an ability to forecast changes in the market and technology that is simply not possible with today's tools. It is incorrect to assume that early market moves automatically bestow long-lived first mover advantages on the pioneer. In fact, the exact opposite may be more likely.

(x) An Opportunity to Benefit from Market Changes. Not only are products not fully formed when they are first brought to market, but the market for those products is often poorly formed as well. The kinds of consumers who purchase at the beginning often differ in their needs from those who enter late in larger numbers. The earliest customers for personal computers and computer software, for example, were technically oriented hobbyists who needed little customer service and support. That changed when the market turned mainstream, attracting business users lacking technical skills. The distribution turned to high-service, high-cost computer stores, where the product could be demonstrated and skills taught. The final turn came when the product became so widespread as to be virtually generic. At that time, mail order sales boomed, price became the most important criterion and the power of prestigious brand names to command higher margins declined.

As a result of changes in the market served, the pioneer's product is often transformed from a mainstream design targeted to a small embryonic market to an obsolete design targeted to a small, fringe, segment of a much larger market. In large-screen projection television, for example , the pioneer's early hurt rather than helped. Its crude design was shunted to the sidelines by mainstream entries trageted directly to a large new market.

If pioneers are able to garner the best market position, it is a temporary reward at best. What may have been the premier product-positioning strategy at the beginning is often an inferior market position later on. When the ultimate form of the market becomes clearer, the later entrant has an opportunity to design its product to fit that larger market more closely.

(xi) An Opportunty to Use Shared Experience. Once the potential of a market becomes clear, the later entrant has an opportunity to leap ahead of the pioneer by using "Shared experience." Shared experience occurs when a firm has or does something closely related to what the pioneer claims as new. The later entrant may, for example, sell products that are similar, have experience with similar production methods or distribute its products through similar channels. In addition, the later entrant may possess the marketing skills to sell similar products, which can be used to develop the market created by the pioneer. In short, the pioneer may be moving into a market where a dominant market leader holds all the cards.

IMITATORS WHO SURPASSED PIONEERS

In order to examine the relative power of free-rider effects, twenty-eight detailed case histories, where imitators surpassed pioneers in emerging markets are available (Box 2.3).

Imitators Who Surpassed Pioneers	
(1) 35 mm cameras	(15) Money-market mutual funds
(2) Automated teller machines	(16) MRIs
(3) Ballpoint pens	(17) Non-alcoholic beer
(4) Caffeine-free soft drinks	(18) Operating Systems for PC
(5) CAT scanners	(19) Paperback books
(6) Commercail jet aircraft	(20) Personal computers
(7) Computerized ticketing services	(21) Pocket calculators
(8) Credit /charge cards	(22) Projection television
(9) Diet soft drinks	(23) Spreadsheets
(10) Dry beer	(24) Telephone answering machines
(11) Food processors	(25) VCRs
(12) Light beer	(26) Video games
(13) Mainframe computers	(27) Warehouse clubs
(14) Microwave ovens	(28) Word processing software

Box 2.3

Table 2.4. provides a detailed summary. The pioneers and the imitative later entrants, along with the dates they entered and the reasons for the imitator's success are given in the table.

TABLE 2.4

The Twenty Eight Cases Where Imitators Surpassed Pioneers

S. No.	*Product*	*Pioneer (s)*	*Imitator/later Entrant (s)*	*Comments*
01.	35 mm cameras	Leica (1925) Contrax (1932) Exacta (1936)	Canon (1934) Nikon (1946) Nikon SLR (1959)	The pioneer was the technology and market leader for decades until the Japanese copied German technology, improved upon it, and lowered prices. The pioneer then failed to react and ended up as an incidental player.
02.	Automated tellers machines (ATMs)	Britain's De La Rue (1967) Docutel (1969)	Diebold (1971) IBM (1973) NCR (1974)	The pioneer was a small, entrepreneurial upstart that faced two types of competitors: (i) large firms with experience, selling to banks and (ii) the computer giants. The pioneer did not survive.
03.	Ball point pens	Reynolds (1945) Eversharp (1946)	Parker "Jotter" (1954) Bic (1960)	The pioneer disappeared when the fad first ended in the late 1940s. Parker entered eight years later. Bic entered last and sold pens as cheap disposables.
04.	Caffeine free Soft drinks	Canada Dry's "Sport" (1967) Royal Crown's RC 100 (1980)	Pepsi free (1982) Caffeine-free Coke, Diet coke Tab (1983)	The pioneer had a three-year head start on Coke but could not cope to match the distribution and promotional advantages of the giants.
05.	CAT scanners [Computed Axial Tomography)	EMI (1972)	Pfizer (1974) Technicare (1975) GE (1976) Johnson & Johnson (1978)	The pioneer had no experience in the medical equipment industry. Copycats ignored its patents and drove the pioneer out of business with marketing, distribution and financial advantages as well as extensive industry experience.
06.	Commercial jet aircraft	deHavilland Comet I (1952)	Boeing 707 (1958) Douglas DC-8	The British pioneer rushed to market with a jet that crashed frequently. Boeing followed with safer, larger and more powerful jets unsullied by tragic crashes.
07.	Computerized ticketing services	Ticketron (1968)	Ticketmaster (1982)	A small, aggressive upstart with a better product displaced the arrogant pioneer whose parent was in deep financial trouble.

S. No.	Product	Pioneer (s)	Imitator/later Entrant (s)	Comments
08.	Credit/charge cards	Diners club (1950)	Visa /MasterCard (1966) American Express (1958)	The pioneer was undercapitalized in a business where money is the key resource. AMEX entered last with funds from traveller's cheques.
09.	Diet soft drinks	Kirsch's No-Cal (1952) Royal Crown's Diet Rite Cola (1962)	Pepsi's Patio Cola (1963) Coke's Tab (1963) Diet Pepsi (1964) Diet Coke (1982)	The pioneer could not match the distribution advantages of Coke and Pepsi. Nor did it have the money needed for massive promotional campaigns.
10.	Dry Beer	Asahi (1987)	Kirin, Sapporo and Suntory in Japan (1988) Michelob Dry (1988), Bud Dry (1989)	The Japanese pioneer could not match Anheuser-Busch's financial, marketing and distribution advantages in the U.S. market.
11.	Food processors	Cuisinart (1973)	Lower-Priced copies by Black and Decker (late-1970s) Sunbeam "Oskar" (1984)	The pioneer failed to sell lower-priced models. A leveraged buy out drove it into bankruptcy when the market became price-sensitive.
12.	Light beer	Rheingold's Gab-Linger's (1966) Meister Brau Lite (1967)	Miller Lite (1975) Natural Light (1977) Coors Light (1978) Bud Light (1982)	The pioneers entered nine years before Miller and sixteen years before Bud light, but financial problems drove both out of business. Marketing and distribution determined the outcome. Costly legal battles were common-place.
13.	Mainframe computers.	Astanasoft's AB C computer (1939) Eckert-Mauchly's ENIAC/UNIVAC (1946)	IBM (1953)	The marketing muscle of IBM, in particular its powerful sales force, proved no match for the tiny upstart. When the giant entered, it moved quickly to the forefront.
14.	Microwave ovens.	Raytheon "Radarange" for commercial market (1946) Tappan (1955) Amana (1968) Litton (1971)	Panasonic (early 1970s) Sharp (Mid-1970s) Samsung (1980)	The pioneer spent two decades perfecting the product and developing the market. They sold premium products at premium prices. The Japanese and then the Koreans sold equal quality at much lower prices, which the pioneers could not match.

S. No.	Product	Pioneer (s)	Imitator/later Entrant (s)	Comments
27.	Warehouse Clubs	Price Club (1976)	Sam's Club Costco, Pace and BJ's Whole-sale Club (all entered in 1983)	The pioneer stuck to the Southern California market and could not match the financial resources of Wat-Mart's Sam's Club when it came to national expansion.
28.	Word processing software	Word Star (1979)	Word Perfect (1982) Microsoft World (1983)	The pioneer was stuck with an obsolete standard which failed to update. When it did update, WordStar abandoned loyal users, offered no technical support and fought internally. The followers took advantage.

Source: Schnaars, Steven P., "Managing limitation Stratgeics: How Later Entrants Seize Markets from Pioneers," New York, Free Press, 1994.

Most of the cases focus on major new products. In some instance they are the kinds of innovations that have changed the way we live. The intent was to avoid minor brand extensions of the type typically found on supermarket shelves. New cake and cookie preparations, for example, which change the size of the item or use a new flavoured filling, were not considered. For the most part, the goal was to study competitive behaviour in markets for important innovations that make a significant economic impact.

More than half of the products listed qualifies as high- technology products. Some are now so common place that they are no longer considered hi-tech, although they were when first introduced.

Thus the focus is on products with which consumers have some direct experience. For e.g., 35-mm cameras and telephone answering machines, are items that consumers purchase directly for their own use. Commercial Jet aircrafts and CAT scanners, on the other hand, are examples of products that consumers do not purchase themselves but use through intermediaries.

Measuring the Success of Imitative Later Entries

There are different ways to measure the success of imitative later entries. Assessing whether the later entrant was able to gain a viable share of the market would be one way, or, whether the imitator earned a profit. In every one of the cases listed in the Table 2.4, the imitator has replaced the pioneer as the market leader. Not only did the imitator, gain a foothold in the market, but it dominated the pioneer. In many cases, the pioneer was forced out of existence after the competitive battle had ended.

Certain such cases are discussed here:

Case I

Ballpoint Pens

The invention and commercialization of the ballpoint pens is a classic case of product copying and the success of later entrants. In fact, there is almost a perfect correlation between order of entry and market success — albeit a negative correlation. Neither of the first round innovators remains in business today. The earlier copycats, who bettered the product after many years of watchful waiting, were forced into a minor role as sellers of pens as gift items and expensive special purchases by the very latest entrants. As product category evolved, it was the very latest entrants who gained the greatest benefit. They

succeeded by selling bags and boxes of low-priced throwaway ballpoints to the masses. It was an idea that horrified the industry leader and did not mesh with historical patterns of selling in the industry.

For nearly two thousand years writing was a cumbersome chore accomplished by dipping a goose quill in to a dark liquid. For centuries innovation in the pen business took the form of figuring out how to lengthen the time between dips . It was very slow going . Not until the1800s were various patents issued for designs of pens that could hold their own ink. A breakthrough came in 1884, when L.E. Waterman a New York City insurance salesman, designed the first workable fountain pen. His invention ensured that the fountain pen would become the dominant writing instrument for the first half of the twentieth century. Throughout those years the performance and styling of fountain pens improved incrementally. Four firms emerged as the dominant sellers' Parker, Sheaffer, Waterman and Wahl-Eversharp.

The ballpoint pen made its first commercial appearance just after World War II. It came not from the "big four" fountain pen companies but from two Hungarian inventors, Ladislao and George Biro. Both brothers worked on the pen and applied for patents in 1938. When the Second World War broke out they moved to Buenos Aires, Argentina, where the newly found Eterpen Co.commercialized their Biro Pen.

How did a pen invented by two Hungarians living South America end up in American department stores? It took two routes. In May 1945 Ever-Sharp, a sort of "Chrysler" of fountain pens in that it was one of the major sellers but clearly the weakest player, teamed up with another firm, Eberhard Faber, to acquire the exclusive right to manufacture and sell the Argentine Biro ballpoint in the United States. Ever-sharp's pen was branded the "Ever-Sharp CA," which stood for capillary action. Its innovative design was shown to the press months before being sold to the public. The press hailed Ever-sharps pen as a major techological breakthrough and that it could write for a year without refilling. Ever-sharp, it seemed at first, had pulled a tremendous coup on the rest of the industry. By acquiring the rights to the Biro pen before anyone else, Ever-sharp was sure to reap the economic benefits of being first to market.

But that did not happen. Instead, events took an unexpected turn. In June 1945, less than a month after Eversharp/Eberhard had closed the deal with Eterpen, a Chicago businessman named Milton Reynolds just happened to be visiting Buenos Aires on a business trip unrelated to the pen trade. While there, he saw the Biro-pen for sale in retail stores. He instantly discerned is potential and bought a few as samples. When he returned home he immediately started the Reynolds International Pen Company. Milton Reynolds was unconcerned with Ever-sharp's formal deal. He copied the product in only four months and on October 29,1945, had his pen for sale in Gimbel's department store in New York City. Reynolds pen was as overnight success. Priced at $ 12.50, it sold a stunning $ 100,000 worth its first day on the market. Reynolds the copier had beaten Ever-sharp the innovator, to market, The ballpoint made Milton Reynolds a wealthy man almost overnight.

Reynolds strategy was based on moving quickly and advertising heavily. His ads stressed the advantages of ballpoint technology over old-fashioned fountain pens. Unlike fountain pens, his ball points would not smear and were guaranteed to write for two years without refilling. A subsequent model, which was introduced in 1946, featured the now common but then innovative retractable point that clicked in and out of the barrel with the press of a button. Ads crowed that the Reynolds pens would write for five years without a refill. The advantage over fountain pens was clear and also uncontestable. The public was bitten by the buy of a new gadget.

Ever-sharp was furious at Reynold's first entry and sought redress in the courts, Ever-sharp sued Reynolds for copying a design that it had acquired legally but the suit was doomed. There was no patent protection for the Biro pen. The rotating writing ball that was the essence of the ball point had been previously patented by John Lound all the way back in 1888, and his rights had exspired long ago.

Despite its legal losses, Ever-sharp's sales also skyrocketed with the found popularity of the ball point pen. Furthermore Eversharp's pen was of higher quality than Reynold's quick copy. Consumers soon discovered that Reynold's pen leaked, skipped and often failed to write altogether.

Ever-sharp's pen may have been better than Reynold's but it too was an inefficient writing device that did not live up to the hype surrounding it. It soon became apparent that ballpoint pen technology had not really been perfected. Both products had been brought to market too quickly. As a result of poor product quality and overly generous guarantees, returns of defective pens soared at both Ever-sharp and Reynolds.

In the long run the competitive battle between Eversharp and Reynolds hurt both parties badly. The frequent price wars, unrealistic guarantees and heavy spending to expand production capacity in response to exploding demand exacerbated quality problems and sapped both firms.

At the same time, consumers lost interest in the poor product. The ballpoint pen turned out to be the classic short-lived fad. Sales of ballpoints surpassed those of fountain pens in 1946, their first year on the market, then climbed again in 1947. But sales started downward in 1948, then collapsed. By 1951 it was all over. The ballpoint pen was all but dead and the fountain pen once again reigned supreme.

Table 2.5 shows the share of market for fountain pens versus ballpoints during the first faddish years of the ballpoint.

TABLE 2.5

Market Shares for Fountain Pens versus Ballpoints (1945-51)

Year	*Fountain pens share of Market*	*Ballpoint pens share of Market*	*Comments*
Pre-1945	100%	0%	
1945	64%	36%	
1946	46%	54%	ballpoints surpass fountain pens for the first time.
1947	41%	59%	ballpoints peak
1948	43%	57%	the decline begins
1949	62%	38%	sale collapse
1950	67%	33%	
1951	77%	23%	the low point

Source: Lawrence, Cliff and Lawrence, Judy, "An Illustrated Fountain Pen History, 1875-1960".

The decline hit Reynolds hardest. His firm quickly disappeared with the precipitous decline of sales. Eversharp, an old-line fountain pen seller, was hit almost as hard. Its weak position in the industry had prompted its bold move into ballpoints, but that bold move back fired. By 1948 Eversharp was in deep financial trouble and tried to switch back to fountain pens. By then it was too late. Eversharp's chairman observed that Eversharp had "expanded so great a portion of its time and attention in solving the problems of the ballpoints pen that certain development in its conventional pen and mechanical [pencil] business, were perhaps underemphasized." The firm hung on, barely, until 1957, when its pen divison was sold to Parker Pen. Parker repositioned, Eversharp's products as low-end entries with mediocre results. Eversharp's assets were liquidated in the 1960s.

The actual takeoff of the ballpoint pen came in the mid-1950s, almost a decade after the demise of the innovators. In January 1954, more than eight years after the first failed ballpoints had made their market debut, Parker introduced its first ballpoint, the Jotter. Parker was a major fountain pen player that entered the market for ballpoints later than the innovators but with a clearly superior product and a brand name that signified excellence to consumers. The Jotter wrote five times longer than the Eversharp or Reynolds entries. With the introduction of the Jotter, ballpoints sales took off once again. Once again, ballpoints were a raging success, In its first (less than a full) year on the market Parker sold 3.5 million Jotter at prices ranging from $ 2.95 to $ 8.75.

In 1957, Parker introduced its next technological advance-the T-Ball Jotter, which was also a resounding success. Ballpoints had finally arrived. Parker, the later entrant, was an innovative company in its own right, but it had learned plenty from its predecessor's mistakes.The other fountain pen sellers followed Parker's lead, each introducing its own line of ballpoints.

Table 2.6 shows the growth in sales for Ballpoints *vis-a-vis* fountain pens.

TABLE 2.6

Market Shares for Fountain Pens Versus Ballpoints (1952-60)

Year	*Fountain pens share of Market*	*Ballpoint pens share of Market*	*Comments*
1952	70%	30%	Start of the second rise
1953	52%	48%	
1954	46%	54%	ballpoints surpass fountain pens for ever
1955	44%	56%	
Post-1960	25%	75%	fountain pens begin to become obsolete

Source: Lawrence, Cliff and Lawrence, Judy. "An Illustrated Fountain Pen History. 1875-1960."

By the early 1960s the fountain pen was all but obsolete. Although all the major fountain pen sellers-Waterman, Sheaffer and to a lesser extent Parker — had introduced ballpoint pens, they were basically committed to fountain pens. That had been their historic misson. Furthemore, the initial experiences of the innovators with Ballpoints — Eversharp and Reynold — suggested the possibility that ballpoints would once again be a short-lived fad. Throughout the 50s and 50s many of the major fountain pen sellers introduced gimmicky fountain pens to compete with ballpoints. What they did not do was foresee and foreclose entry by the next group of later entrants.

Ballpoints became so successful that the product eventually became a commodity. The newest competitors flooded the market with a never-ending series of cheap but highly reliable disposable ballpoints that consumers bought by the dozen. There was no more talk of refilling. Pens were either lost or disposed of long before they ever ran out of ink. The low-priced pens forever changed the pen industry. They reconfigured the product from an expensive, almost jewelry-like, purchase to an incidental disposable. None of the Ballpoint innovators, nor the fountain pen giants, led the way into this latest market turn.

In 1958, Societe Bic a French firm acquired 60% of the venerable New York-based Waterman Company. By 1960 it owned 100 per cent. Bic started selling inexpensive, highly reliable ballpoint pens in France in 1950. It then blitzed Europe with hard-hitting ads that dramatized the pen's durability. By the late 1950s Bic held an astonishing 70% of the European ballpoint market. Its success in Europe persuaded Marcel Bich, the firm's founder, to repeat those moves overseas. In 1960, Bic entered the American market with pens priced at an incredibly low 29 cents to 69 cents and more hard-hitting ads. In one ad the Bic pen was fired from crossbow into wallboard. In another it was used as a drill bit to drill through hardened wallboard. In each instance, the tag line was "writes first time-every time".

Bic was more than successful. In fact its entry relegated the industry giants-Parker, Sheaffer and especially Waterman — to the now much smaller high end of the market. Fountain pens were made obsolete and expensive ballpoints were transformed largely into gift and graduation presents.

Fountain pens made somewhat of a comeback in the 1980s as status symbols but they never again challenged ballpoints.The brand names Parker, Sheaffer and Waterman still hold an upscale allure. Parker and Waterman are now owned by Gillette, which intends to capitalize on them.

Conclusion

The history of market entries in ballpoint pens illustrates clearly that all is not lost if a firm is not "first to market". In fact, in ballpoints, moving quickly to market proved detrimental to the earliest innovators. The earliest entrants disappeared entirely, while the latest ended up virtually owing a much-changed market. It is a powerful lesson of the benefits of later entry, and the risks of pioneering, in a rapidly changing market.

Case II

Diet Soft Drinks

Royal Crown Cola has been responsible for most of the major soft drink innovations of the past three decades. It was Royal Crown, not Coke or Pepsi that introduced the first diet cola and decaffeinated colas. Unfortunately, Royal Crown has been unable to profit fully from its innovations. The historical pattern in the soft drink industry has been that Royal Crown comes up with,and then popularizes, a new product idea only to have it snatched away by larger rivals. While its innovations have benefited both the industry and the consuming public, the innovator itself has been unable to retain more than a tiny share of the diet soft drink market it created. The later entrants, meanwhile, have steadfastly maintained their market leadership.

Actually, Royal Crown did not invent diet soft drinks. It followed smaller regional rivals to market. It is difficult to state with certanity which firm was the very first to sell "diet" soft drinks. The seller of Orange Crush claims that they began marketing sugar-free soft drinks in the early 1940s. Their entry was way ahead of its time, however and was not specifically targeted at the calorie-conscious consumer. In 1947 Cott Beverage introduced a line of sugar free soft drinks but it too met with only limited success.

In 1952 Kirsch Beverage, a Brooklyn-based bottler,introduced its No Calline, which was aimed primarily at diabetics who could not consume sugar and teenagers afflicted with acne. But something unexpected happened, it was discovered that more than half of those who bought No-Cal were not diabetics at all, but calorie conscious consumers,trying to lose weight . As a result, the brand was repositioned to targe dieters and increased promotional expenditures to pioneer the market in dietetic soft drinks. Sales took off and soon Kirsch became the number one seller of dietetic soft drinks. In 1957, the industry sold 7.5 million cases of sugar-free soft drinks,a record amount for what had previously been considered only a small market segment based on consumers with a chronic illness.

The Company was in the right place at the right time.Its success was due largely to the emergence of a trend toward calorie consciousness among (mostly female) consumers. In the 1950s thing began to be in creating a growing market for dietetic products. That trend accelerated throughout the 1960 and 1970s. It made the market attractive to firms with a keen eye for changes in consumer behaviour and the resources to exploit those changes.

The Royal Crown Cola pounced on that opportunity in early 1962, when it introduced Diet Rite Cola. Diet Rite was Royal Crown's first sugar-free soft drink entry. According to the company it has first entered the market in 1954, just after Kirsch, with a product backed by little promotional support that was also targeted at diabetics. Diet Rite was more a marketing innovation than a technologically superior product. Unlike previous sugar free entries, Diet Rite Cola was clearly positioned and promoted at consumers with a new found interest in losing unwanted weight. Basically, Diet Rite brought diet soft drinks into the mainstream.The Company did it in the following ways.

- *First,Royal Crown reduced the price of Diet Rite to match that of regular soft drinks. That made the dietetic product a readily accessible alternative to regular cola soft drinks,*
- *Second, it placed Diet Rite in returnable bottles, as were regular soft drinks. Previously, sugar free soft drinks came in non-returnable bottles, because they were not considered a mainstream product.*