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Brand Custodianship: A New Primer for Senior Managers

NOEL CAPON, *Columbia University, New York*
PIERRE BERTHON, *University of Bath, UK*
JAMES M. HULBERT, *Columbia University, New York*
LEYLAND F. PITT, *Curtin University of Technology, Australia*

Traditionally the management of brands has been entrusted to middle management. However, it is becoming increasingly apparent that brands are of such critical strategic importance, that they are more appropriately placed under the direct responsibility of senior management. Indeed, we believe that senior managers should act as brand custodians. For this new responsibility, senior managers need integrative overviews of brands and their management. In this paper, we examine the functions that brands perform, the consequent values they generate, and delineate the critical dimensions that need to be managed. The contribution of the article is twofold. First, it offers senior managers a series of integrative frameworks to facilitate thinking about and managing brands. Second, the traditionally unitary constructs of brand function and brand equity are disaggregated into function and equity for two different sets of stakeholders, namely buyers and sellers. **© 2001 Elsevier Science Ltd. All rights reserved.**

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Introduction

Brands have become the focus of a great deal of controversy and discussion in recent years (Low and Fullerton, 1994). Some have questioned their future (Sellers, 1993; Berthon *et al*., 1999), while others recognize their present centrality (Doyle, 1993; Ambler, 1996; Morris, 1996). Yet, in most companies managing brands has been entrusted to relatively junior managers, and senior managers have merely monitored the process. Increasingly, however, brands and branding are recognized as critical concerns (Shocker *et al*., 1994) and as having significant economic value (Perrier, 1997). As observers such as Tom Peters (1999) admonish us to 'Brand, Brand, Brand!', corporations are questioning the wisdom of entrusting what may be their most critical assets to anyone but senior managers (The Economist, 1994). Senior managers must do far more than simply monitor their brands and brand managers. They must guard and nurture their company's brands, at the corporate, division and product level. They must increasingly engage in *brand custodianship*. This is a task for which we have found many of them to be very poorly equipped. Our purpose in this article is to provide an integrative, overview of brand management for senior managers in their new role, that of *brand custodian*.

As senior executives have become imbued with the shareholder value philosophy, the importance of intangible assets has become apparent. Yet the potential for harming shareholder value through inappropriate management of brands is immense (cf. Aaker and Jacobson, 1994). Building on previous work (Berthon *et al*., 1999; Capon and Hulbert, 2001) our intention is to provide a primer on brands and brand management for senior managers. We hope to contribute toward ensuring better brand decisions; not just protection but also creation of shareholder value.

Brands: Functions, Value and Management

Brands are created not as ends in themselves but ultimately for the functions they perform for parties in an exchange relationship (i.e., for both buyers and sellers). Functions in turn lead to the creation of brand equity when there is a match between the functions that the brand performs for the firm and the functions it performs for customers in the firm's target market. Finally, brand equity is a perishable resource. Brands left untended wither and die, their equity eroded by market forces (cf. Dickson, 1992). Thus brand value needs ongoing management. This tri-cycle process is illustrated in Figure 1. The structure of this paper follows this logic. First we address the simple question of what brands do; what *functions* do brands perform for key stakeholders, namely the firm and its customers. Second, we explore the notion of brand *value* or equity that such functions yield. In contrast to previous writers, we distinguish between two related concepts, organizational brand equity and customer brand equity. That is we examine brand equity from the perspectives of both the company and its customers. In the third part of the paper we look at the issue of how to *manage* the brand tri-cycle, and focus on three further dimensions that brand custodians need to consider in the management of brands: inter-organizational issues, inter-brand issues and inter-market issues. In discussing the management of these dimensions we address such themes as umbrella-branding, multi-branding, leveraging brand equity, strategic alliances, and global branding. In the concluding section of the article we address the issues of brand monitoring, brand revitalization and the role of the senior manager as brand custodian.

Functions: What Do Brands Do?

The question as to 'why brand?' is predicated upon the deeper question: namely 'what do brands do?' In this section, we focus on functions, for too often brands are either regarded as business adjuncts (i.e., as tangential to the job of business in creating profits) or ends in themselves (of such importance that managers can become myopic as to the real role they play in creating value for the business and its customers).

Brands are an ineluctable part of everyday life for businesses and customers around the world — but why? At the most fundamental level, branding is the act of creating and sustaining a distinction. Thus brands are distinguishing names and/or symbols (e.g., logos, trademarks, package designs, spokespersons) developed by sellers to *identify* their goods and/or services, to *differentiate* those goods and services from competitors' and to *offer value* to customers thereby securing marketplace and financial benefits. Brands have a wide range of applicability.[1] At the finest grained level, a brand refers to an individual product item (e.g., a Model T [Ford]); more broadly it refers to a group of related products serving a similar function (e.g., Ragu pasta sauces, Chevrolet automobiles). More broadly still, a brand refers to a group of products that may fulfill different functions; in these situations the brand is usually corporate (e.g., IBM, GE, General Motors, British Airways, Yamaha). Frequently, individual products or services are identified by multiple brands, (e.g., Toyota Corolla, Citibank's Direct Access), typically to secure benefit from the family brand while, at the same time, developing recognition and preference for individual products. In other cases, multiple organizations co-brand products for mutual benefit (e.g., Wells Fargo, MasterCard; Coca-Cola, NutraSweet; Hewlett Packard, Intel Inside, Pentium).

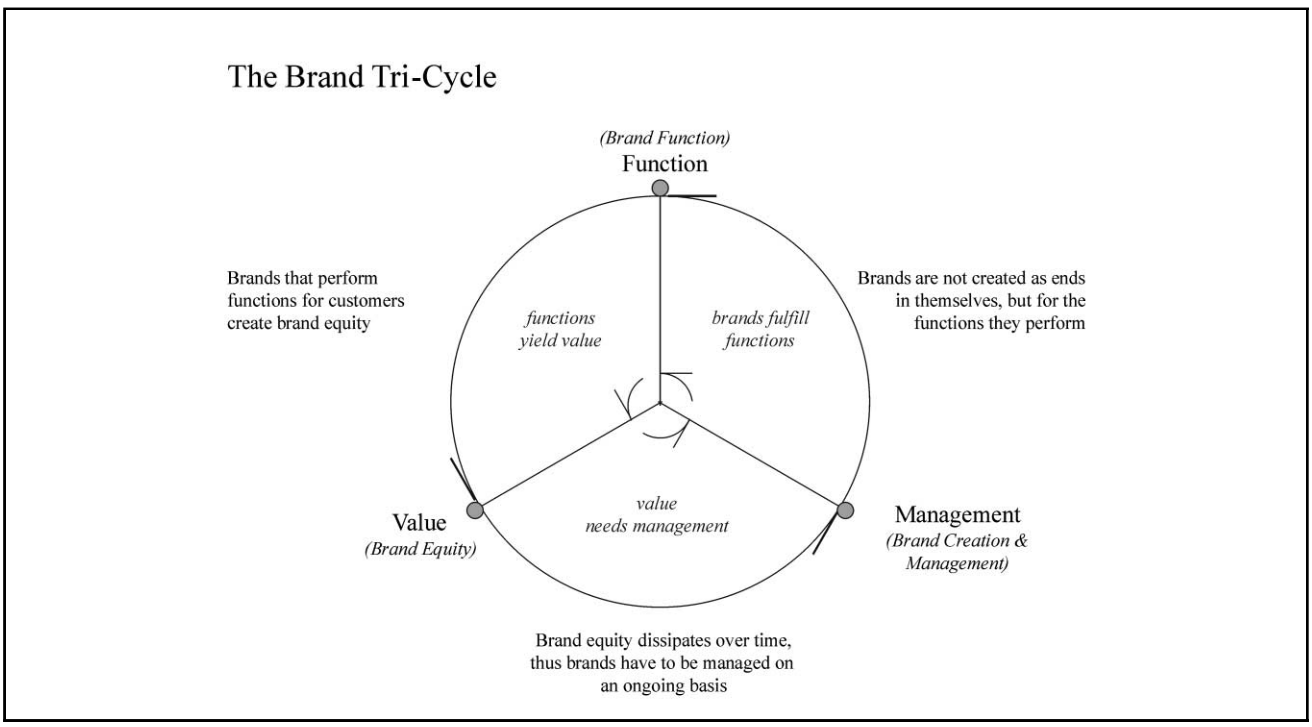

Figure 1 The Tri-Cycle — Brands, Functions, Value and Management

Although we generally focus on brand names as 'signifiers of brands,' other identifiers are as much part of the brand as the name and can be as important. For example, the pink colors associated with such diverse products as the *Financial Times* and fiberglass batt insulation (Dow Corning [U.S.] and ACI [Australia]); the bottle shape in Absolut advertisements; Richard Branson personifying *Virgin* and Nike's 'swoosh' are all important brand identifiers.

There is no necessary relationship between a brand offered for sale by an organization and the production/operations necessary to deliver the products/service(s) identified by the brand. Of course, distribution companies (e.g., retailers) generally do not manufacture the products they sell. For manufacturing firms however, the range of operations conducted by the brand owner can range widely, from total vertical integration (e.g., Ford's Rouge River plant to produce Model T's), through assembly of subcomponents produced by others (e.g., many brands of personal computers and automobiles), to no responsibility for production whatsoever, other than setting, and monitoring adherence to, design and quality standards. Slimfast weight control products are a good example of the latter.

If brands do not fulfill the function of identifying 'producing' organizations, it becomes important to ask the question: what functions do they fulfill? Specifically, brands fulfill distinct functions for both sellers and buyers. We may succinctly summarize these as *approaching* or *avoiding* behavior. Typically, the functions that brands fulfill for sellers are *intended* consequences, leading to *approaching* behavior by customers. However, whereas functions provided for buyers include *approaching* behavior, brands may also embrace *unintended* consequences of sellers' actions, namely *avoiding* behavior.

The Functions of Brands for Buyers

For buyers, brands fulfill functions offering both pre- and post-purchase benefits. Pre-purchase, brands reduce search costs by identifying specific products within categories being considered for purchase. Such identification may lead directly to *approaching* behavior, purchase of the brand (or placement in the buyer's consideration set) or it may lead to *avoiding* behavior, rejection of the product because of negative connotations about the brand. *Approaching/avoiding* behavior related to identification may be product specific. For example, Tide detergent generally engenders approaching behavior in the case of a laundry detergent. However, were the products Tide toothpaste or Tide cookies to be introduced, avoiding behavior would likely result.

Approaching/avoiding behavior is related to buyers' expectations of receiving benefits from the branded product or service. These benefits may be functional, psychological or economic. Concern for functional benefits may lead potential customers to approaching behavior — expectation of product/service quality offered by the brand (e.g., Federal Express's overnight delivery, Lexus automobiles' quality and service), or avoiding behavior — expectation of unacceptable quality (e.g., Yugo cars). Concern for psychological benefits may lead to approaching behavior inasmuch as the brand engenders beliefs that purchase may enhance the buyer's status and prestige (e.g., American Express, Nike's Air Jordan sneakers) or reduce the social and psychological risk of choosing the 'wrong' product or store (e.g., Tiffany's blue gift box, or Harrods' shopping bag). Conversely, brands may lead to avoiding behavior via perceived liabilities (e.g., the many jokes told about Lada cars by Europeans). Finally, for potential customers focused on economic benefits, approaching behavior may result from perceptions that the brand is associated with low prices, avoiding behavior if perceptions are converse.[2]

Post-purchase, the branded product delivers these benefits. When the product truly delivers sought-after functional and economic benefits, the 'brand' *per se* may become almost irrelevant. More generally, however, for psychological benefits such as status, positive feelings associated with consumption, assurance that the product will continue to deliver functional benefits at expected ownership costs and so forth, brands have long-lasting importance to buyers.

The Functions of Brands for Sellers

For sellers, brands encourage approaching behavior, such as purchase, use and/or endorsement, ultimately leading to increased sales and profits. This potential for approaching behavior depends on brand positioning and the meaning conveyed to buyers. Brand positioning should drive such parameters as level of product quality, price range, availability via distribution, promotion strategy and so forth. Approaching behavior is enhanced by coherence between positioning and implementation of individual marketing programs, and among the individual marketing programs *per se*. Because the extent of coherence can dramatically enhance or diminish the consumers' brand 'experience,' an increasing number of companies are attempting to craft marketing program integration (Carbone and Haeckel, 1994; Schmitt, 1999). Here the brand serves as a motivational force to encourage employees and related third-party organizations, for example, advertising agencies, to undertake the necessary actions to provide integration.

So-called 'vertical' marketers such as Starbucks in the US or Haagen Dazs in Europe understand and use coherence to their advantage. Auto companies, on the other hand, have historically had great difficulty in providing equivalent brand-enhancing experiences in dealerships; Saturn (US) and Daewoo (UK) have demonstrated the potential benefits of such experiences.

In sum, for the seller, successful branding leads to repeat purchase of individual products and offers a mechanism to cross-sell customers other similarly branded items. If the brand engenders approaching behavior it may also facilitate new product introduction in the same or different product categories.

Value: Understanding Brand Equity

If a brand provides functions that match customer needs in its target market, it creates value for the customer and concomitantly for the organization. However, the values the brand provides for customers and organizations are not synonymous.

For senior managers, brand equity is a vitally important but often misunderstood concept. Some of the confusion arises from the way it is often defined. A current and widely accepted definition of brand equity, drawn from Aaker's pioneering book, is:

> ... a set of brand assets and liabilities linked to a brand, its name and symbol, that add to (or subtract from) the value provided by a product or service to a firm and/or that firm's customers. (Aaker, 1991; see also, Aaker, 1996)

The assets and liabilities discussed by Aaker include brand awareness, brand loyalty, perceived quality, brand associations and image (brand personality), use satisfaction and other proprietary assets such as patents, trademarks and channel relationships. The problem with this and most other definitions of brand equity is that they confuse the beneficiaries of the value of 'the set of assets and liabilities.' Value is provided 'to a firm,' 'and/or,' 'to that firm's customers.' A definition of brand equity that envisages value that may be provided to the firm and its customers; provided to the firm but not its customers; or provided to customers but not the firm is one that demands deeper analysis.

The assets and liabilities generally represent values for the firm rather than customers. Brand-loyal customers are clearly valuable to firms. However, it is not at all clear that brand loyalty is necessarily as valuable to customers themselves. Value to customers is related to the brand's ability to fulfill the functions discussed in the previous section: reduction of search cost and provision of functional, psychological and/or economic benefits. However, brand loyalty may inhibit the customer's search for other more attractive options. We believe that senior management differentiate value to the firm from value to the customer. To this end, we introduce the concepts of *organizational* brand equity and *customer* brand equity.

From the organization's perspective, the value of any business (i.e., the sum of its discounted future cash flows) should be greater than the disposal value of its assets (tangible and intangible) to justify its continued existence. Since customers are the sole source of positive cash inflows (other than borrowings or new equity) without them a business has no value. We conclude, therefore, that a business's value is primarily dependent on its ability to attract (acquire), continue to attract, and retain customers. The simplest way to conceptualize organizational brand equity is as a summary measure of the business' (corporate, division, product) ability to perform these acquisitive and retentive roles.[3]

Organizational brand equity depends upon cash flow streams resulting from its ability to acquire and retain customers for its brands. This view is not constrained by current products nor, indeed, by current customers. For many firms (e.g., Internet firms like Yahoo and Amazon.com) large proportions of brand equity are attributable to the expectation of future customers and products.[4]

Customer brand equity, by contrast, relates to the value received by individual customers from a branded product or service, over and above the value received from an unbranded version of the same product or service. Since this value may exceed the price of the product, inasmuch as some customers would be willing to pay more than the asking price, *customer* brand equity is a separate and distinct, though related, concept from *organizational* brand equity.

If *customer* brand equity is high for substantial numbers of customers, *organizational* brand equity may also be expected to be high. In 1983, Toyota and General Motors formed the Fremont, California joint venture, New United Motor Manufacturing Inc. (NUMMI). From 1989 on, it manufactured two almost identical cars: the Toyota and the Geo Prism (GM). In 1989, the Toyota Corolla sold at just over \$9000, 10 per cent more than its twin; it also depreciated more slowly. After five years, its second-hand value was almost 18 per cent more than the Prism. The effect of brand strength on profit was substantial. By the period 1990–1994, with the same production cost of \$10,300, Toyota's annual sales averaged 200,000 units, priced to dealers at \$11,100; GM averaged 80,000 units annually, priced at \$10,700. Toyota made \$128 million more operating profit from NUMMI than GM, and Toyota dealers made \$107 million more than GM dealers!

In this example, the Toyota Corolla not only had considerably more *customer* brand equity than the Geo Prism, it also provided considerably more *organizational* brand equity. However, there is no necessary direct relationship between high *customer* brand equity and high *organizational* brand equity. The latter is heavily dependent upon the number of present and future customers and their purchase frequency.

The distinction between *customer* and *organizational* equity was well illustrated in a small Internet search exercise. Internet sites for six brands of automobiles (Ford, BMW, Lotus, Toyota, Morgan, Volvo) were identified and classified as either official (manufacturer, distributor, reseller) or enthusiast (clubs, individuals). The development of enthusiast sites may be viewed as a proxy for high customer brand equity. Across brands, Ford and Toyota had a high ratio of official to enthusiast sites; Lotus and Morgan had a high ratio of enthusiast to official sites; while Volvo and BMW fell in between. Clearly, customer brand equity differs markedly across automobile brands.

Whereas *customer* brand equity essentially focuses on the individual customer's willingness to pay a price more than some benchmark for the branded product, *organizational* brand equity is concerned also with the number of customers willing to pay that price. For example, a bottle of fine French wine selling in the US for $50 to $100 per bottle can be said to have high *customer* brand equity (some customers are willing to pay at the high offering price) but low *organizational* brand equity (because of relatively low volume). Conversely, *Gallo* wine has low *customer* brand equity (customers unwilling to pay more than its relatively low price) but high *organizational* brand equity (because of extremely high volume).

On Organizational Brand Equity

In acquisition and divestiture decisions, measurement of *organizational* brand equity is often critical. Measurement may proceed from a financial-market or product-market basis. Financial-market methods are not simple, for *organizational* brand equity should be 'separated' from other firm values (e.g., plant and equipment, technology, human resources); furthermore, valuation can be developed on several bases (e.g., potential earnings, market value, cost [historic, replacement]). For example, a replacement cost approach develops a measure of *organizational* brand equity by estimating the cost to develop a new brand, factored by the probability of success.

A second group of methods involve the use of 'earnings.' For example, London-based Interbrand Group plc, estimates *organizational* brand equity based on two factors: annual after tax profits less expected earnings for an equivalent unbranded product averaged over time, factored by a multiple purporting to measure 'brand strength.' The resulting values are of more than academic interest. Because of the problem of dealing with 'goodwill' in acquisitions, several countries (e.g., UK, France, Australia, New Zealand) have allowed companies to place brand values of acquired brands on their balance sheets as 'identifiable intangible assets.' In December 1997 the UK Accounting Standards Board ruled that certain intangible assets, including brands, should be recognized separately from purchased goodwill, did not need to be depreciated, but should be reviewed for impairment each year, based on economic value.[5]

Of course, as with any item of value for which a liquid market does not exist, and because the methods involve a mix of the objective and the subjective, brand valuations may be erroneous. Mistaken valuations often jeopardize senior managers' careers. For example, in 1994, Quaker Oats purchased the Snapple brand of fruit and tea soft drinks for $1.7 billion. Just 27 months later it sold Snapple for $300 million, a loss of $1.4 billion (in addition to $160 million in operating losses in 1995/1996), roughly $2 million per day of Quaker's ownership (Quaker's 1996 sales were $5.2 billion). Quaker's chairman of sixteen years, and its president, resigned (Deighton, 1999). BMW's purchase, management, and eventual sale of the Rover Car brand in the UK also witnessed a similar depreciation, and resulting career shifts for some senior managers.

A third method of measuring organizational brand equity is based on the extra price commanded by a brand over an unbranded equivalent. Unfortunately, this method has two severe problems. First, an unbranded equivalent may not exist. Second, the method totally ignores volume; profits, after all, are a function of both price and volume, not price alone. (See the discussion on Gallo and fine French wines above.) Third, the method gives no consideration to the value of the brand for potential brand extensions.

On Customer Brand Equity

The extent to which *customer* brand equity is positive (assets outweigh liabilities) for substantial numbers of customers is basically a reflection of the nurturing of trust between the brand owner and its customers, existing and prospective. Anecdotal evidence suggests that, as with interpersonal trust, customer brand equity is generally built up slowly over time but is fragile and can be quickly dissipated by negative information generated by managerial mishaps. Many companies in recent years including Audi (cars alleged to slip into gear causing accidents), Dow Corning (alleged adverse side effects from breast implants), Firestone (premature tire failure), Intel (incorrect calculations from chips), Perrier (product impurities) and Schlitz (poor tasting beer) were made acutely aware of the consequences of deteriorating customers' perceptions of these relationships.

Yet, properly managed, the impact on *organizational* brand equity of adequately nurtured *customer* brand equity can be extremely long lasting. Indeed, in the international liquor industry, the one hundred leading brands have an average age of over one hundred years! The recognition that *customer* brand equity, while frequently slow to build, can endow very long-term advantages to the brand owner raises serious and basic questions about the management practices of many companies (cf. Keller, 1999). Specific issues concern organization structure, job design, executive development, performance measurement, reward systems and promotion In too many companies these systems encourage self-serving short-term opportunism in lower-level management. Brand custodians must understand the pressures that drive such behavior and reorient the firm to serve shareholder interests.

Clearly, high *customer* brand equity does not just happen. In most product categories it must be carefully built and nurtured by active brand management over a long number of years using a variety of brand building activities. The activities that build brands include advertising and public relations, improved service, product improvement, channel support, customer reward systems and price maintenance. Conversely, activities that lead to *customer* brand equity erosion are inconsistent advertising, service quality deterioration, price cutting, discounts and promotions, lower price component substitution, channel downsizing and proliferation, and channel/supplier squeezing. Management is often tempted to use these brand equity reducing tools in recessionary times, but while they may build volume, market share and even profit temporarily, they frequently destroy *customer* brand equity.

In discussing Lou Gerstner's (now IBM's CEO) tenure as head of the charge card business at American Express, where a high premium was placed on *customer* brand equity, Shelly Lazarus of Ogilvy and Mather says: 'I learned a big lesson from Lou. Once you've set a strategy, you never *ever* violate it. Nobody ever got a free card, a discounted card, bundled pricing.' Gerstner would say: 'This is a violation of the brand, and we're not doing it.' Similarly Waterford Crystal, manufacturers of fine Irish crystalware decided in the early 1990s that they would not, as many similar manufacturers do, sell 'seconds', or 'reject' products at discounted prices, as this was believed to devalue the brand. Waterford Crystal actively sought opportunities to demonstrate this philosophy. For example when senior executives spoke before an audience, they would have a fine crystal piece on display. During the presentation, the executive would note with feigned surprise that the piece was flawed. A great show would then be made of smashing the creation before the audience's very eyes — a dramatic reaffirmation of the firm's refusal to tolerate 'seconds'.

Several approaches have been developed to measure *customer* brand equity. These include measures of inclusion in customers' consideration sets, customer-based perceived quality, and preference and/or satisfaction comparisons of the branded product with a similar generic product. A particularly popular method is the 'dollar-metric' approach in which customers are asked how much they would pay for both the branded product and a similar generic product. The difference is then a financial measure of *customer* brand equity.

Management: Critical Dimensions for Brands

Competitor innovations, changes in customers' needs and expectations, and neglect lead to the atrophy of brand value. Brands require constant attention from senior management. We commence with an overview of the process of managing brands, known as brand architecture, and then move on to discuss three critical dimensions in the management of brands.

Brand Architecture

The potential for developing considerable *organizational* brand equity and the role of brand equity in determining the firm's market suggest that branding decisions should be a key concern for senior managers. Senior executives must act as custodians of both organizational and customer brand equity. They should think through very carefully what should be branded and what relationships are desired between and among the 'corporate' brand, 'product category' brands and individual 'product' brands. Careful planning should be conducted for the evolving 'brand portfolio,' including additions/deletions and order of introduction. This is an emerging area of research and practice that is becoming known as brand architecture.

Brand architecture decisions are particularly difficult, for developing brand strategy may require dropping brand names that have developed considerable brand equity (both *organizational* and *customer*) over many years. In hindsight, one must often ask whether management really understood the value of the original brand. For example, the switch from MasterCharge to MasterCard coincided with a loss in market share to Visa (which changed its name from BankAmericard) and Nissan may have squandered considerable equity in dropping its successful Datsun brand for the corporate Nissan brand. A more recent example concerns department stores:

> In the mid-1990s, Federated Department Stores merged with R. H. Macy and Company; it combined its Abraham and Strauss, and Jordan Marsh units to form Macy's East and dropped both century old names. Of the Jordan Marsh name change, Hal Kahn, Chairman of Macy's East, was quoted as saying: 'When a beautiful woman gets married, she takes a new name. And that's all Jordan Marsh is doing, taking the family name.'

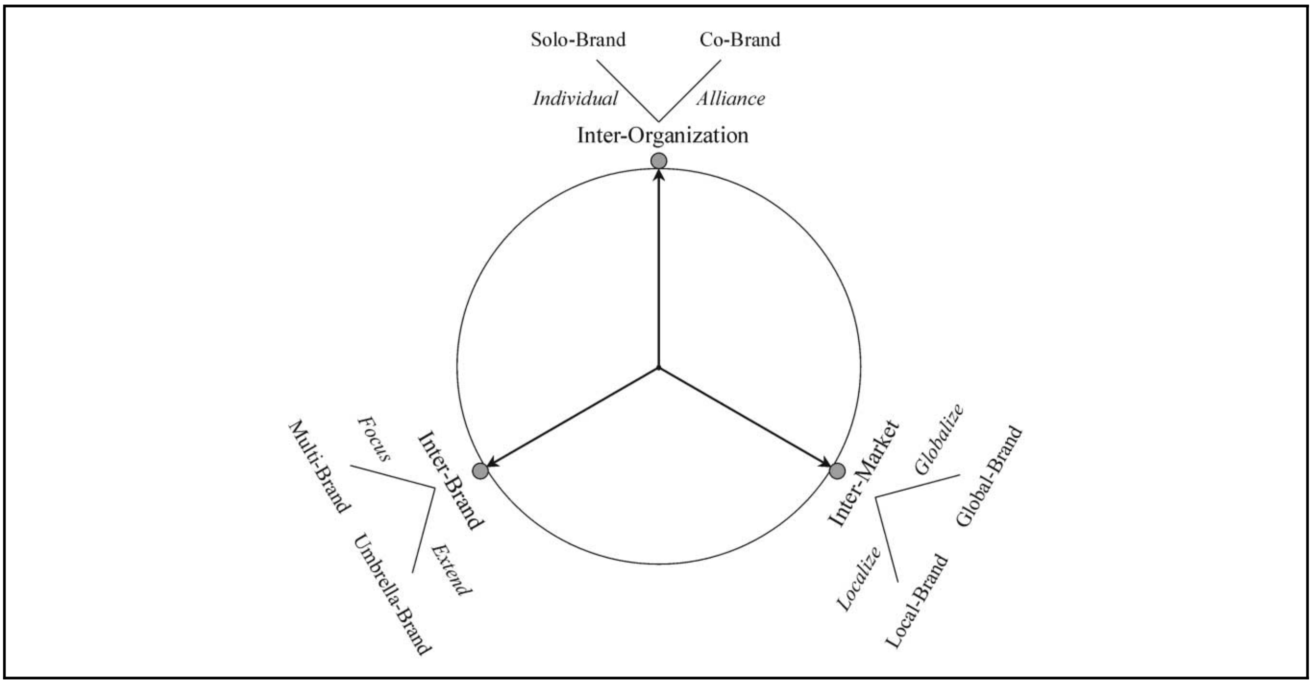

Figure 2 Brand Management Dimension, Process and Theme

Today, many professional women, beautiful or otherwise, now keep their original family names, in whole or in part. The issue is perhaps more complex than Mr. Kahn would have us believe!

A particularly critical strategic issue is deciding what set of associations (e.g., personal, life style, customer type) the firm wishes to have for each of its various brands and how the associations among different brands should be integrated with, or differentiated from, each other. These decisions are related to the positioning decision in the marketing strategy and can be implemented through marketing mix actions.

Critical Dimensions in the Management of Brands

Key issues in the management of brands revolve around three dimensions: inter-organization, inter-brand, and inter-market. These are illustrated in Figure 2 and outlined in Table 1. The inter-organization dimension addresses the question: should we go it alone, or partner with other brands? That is, should we pursue a solo-brand or a co-branding strategy? The inter-brand dimension addresses the question: should we focus or extend our brand(s)? That is, to what extent should we pursue a multi- or umbrella-branding strategy? The inter-market dimension addresses the question: should we localize our brand(s) or globalize our brand(s)? Simply, should we create local or global brands? We now discuss each dimension in detail.

Inter-Brand Dimension: Focus or Extend?

Brand Extensions: Leveraging Customer Brand Equity? The determinants of *customer* brand equity are related to the functions fulfilled by the brand: reduction of search cost, expectations of securing functional, psychological and/or economic benefits and use-related psychological benefits. Marketers have traditionally espoused the idea that these functions can be extended within a product category via relatively minor product changes, such as in color or size. These 'flankers' may increase the branded product's sales and market share while fulfilling a valuable defensive role.

A newer phenomenon has been the increasing numbers of attempts to extend brands into product classes other than those with which they have been traditionally associated. This 'brand leveraging' is of significantly greater scope than traditional 'flanking,' and should not be confused with 'umbrella branding,' discussed below, in which the entire branding strategy is based on a single umbrella brand. Examples of brand leveraging are legion. Consider, for example, the attachment of the *Harley Davidson* brand to the restaurant category; or the attempted extensions of *Flora*, a well-known UK margarine

Table 1 Brand Management Dimension, Process and Theme

Dimension	Inter-organization		Inter-brand		Inter-market	
Process	Individual	Alliance	Focus	Extend	Localize	Globalize
Brand theme	Solo-brand	Co-brand	Multi-brand	Umbrella-brand	Local-brand	Global-brand

brand into such product categories as synthetic cheeses, dressings and mayonnaise.

Growth in brand leveraging, especially in consumer products, has been driven by the growth in new brand launch budgets. In the US, these range between $50 and $100 million. As entry barriers rise, marketers seek to lower entry costs by extending brands from traditional into new categories (Tauber, 1988).

Leveraging succeeds best if the new product secures high awareness via the existing brand and positive associations transfer to the new product inducing liking, intention to buy and trial. Regrettably, in a drive to achieve short-term growth targets, companies have too often launched new products with existing but ill-suited matches, and Aaker (1997) warns against the unwary extension of brands merely to exploit positive associations. In many cases, not only are necessary associations absent, marketers seemingly forget that retailers usually merchandise products by category rather than by brand, making search costs for the new products too high. As a result, although leveraging an existing brand may appear to be an *efficient* method of entering new product categories, it may not be *effective*. Indeed, as discussed earlier, an *approaching* relationship in one category may give rise to *avoiding* behavior in another, especially if customers believe the firm lacks the necessary expertise. Furthermore, the psychological benefits received from the brand in one product category may lead to psychological liabilities for another (e.g., Harley Davidson candies). Worse, there is potential for harming the equity of the 'mother' brand and hurting sales of the original product.

The difficulty of transferring positive associations from an existing to a new brand was highlighted in the $300 million acquisition by Black and Decker (B&D) of GE's small appliance (housewares) business. B&D was permitted to use the GE brand for five years after which it reverted to GE. During that period, B&D spent over $100 million promoting Black and Decker home appliances. The result of this effort was that consumers still believed GE to be the housewares market leader; the strength of existing associations made it very difficult for new ones to grow. Relatedly, when Enron was researching entry into the US electricity market it asked consumers: 'If you had to select a supplier of electricity other than your current supplier, who would you choose?' The most popular response was GE. GE last produced electricity over 100 years previously!

For a viable extension, the original brand must have strong positive associations and the difference between the brand and the extension should not be so extreme as to be incongruous. Brand extensions fail when associations between old and new products are not obvious; when the original has a unique image; when another brand already dominates the category and when the new product's quality is lower than an existing product with the same brand name.

Umbrella or Multi-Branding Strategies

The corollary of the question as to whether to focus or extend a brand is the issue of whether to pursue an 'umbrella-branding' or a 'multi-brand' strategy. In the latter, the firm uses individual brand names for each of the products and/or categories in which it competes. Thus target customers may have high recognition of the firm's various brands, but be relatively unaware of the firm *per se*. By contrast, firm's pursuing an umbrella branding strategy employ a single name (i.e., corporate branding, such as IBM or SONY) or names (i.e., family branding, such as Chevrolet, or Lincoln) for various products.

Procter and Gamble (P&G) is a well-known multi-brander. Among P&G's brands (product categories) are: Sure (underarm deodorant), Crest (toothpaste), Tide (laundry detergent), Cascade (dishwasher detergent), Pringles (snack food) and, many others. P&G's brands are far better known to its customers than P&G *per se*. Conversely, *Yamaha* pursues an umbrella-branding strategy: it sells a variety of electronic musical instruments (e.g., keyboards, guitars), traditional instruments such as pianos, motorcycles and even Grand Prix engines under its company name.

Arguments can be made for and against umbrella branding. On the positive side, the firm may enjoy economies of scale in advertising and promotion from using a single brand rather than a variety of individual brands; in addition, advertising for individual products may bring benefits to other product categories in which the firm has a similarly branded entry. Furthermore, the firm may enjoy positive associations from one product category to another; for example, a consumer who had a positive experience with a Yamaha piano might believe that a Yamaha electric guitar would also be high quality.

On the negative side, use of a single brand name may limit the firm's ability to target desired market segments and appropriately position its products. In addition, if the category relationships are disparate, it might be a stretch to assume that the firm is able to perform equally well in different categories. For example, a consumer may have little belief that Yamaha's strong performance in pianos has any relationship to motorcycles.

There is a specific risk associated with umbrella branding. If a firm using an umbrella branding strategy had a problem that created negative associations in one category, these would be more likely to transfer to its other products. For example, in 1980, Procter and Gamble had a serious problem with its Rely brand of tampons. The ultra high absorbency led some women to leave the tampon in place for an extended period of time; some contracted 'toxic shock syndrome' and several died. Rely was withdrawn from the market. Although the marketplace and financial impact on Procter and Gamble was severe, it might have been far worse had the firm employed an umbrella-branding strategy. A similar case is that of Union Carbide — despite the horrendous disaster the firm experienced in Bhopal, India in the late 1980s, individually branded Union Carbide products such as Eveready batteries (later sold to Gillette) suffered little.

Inter-Organization Dimension: Individual or Alliance?

Whether to pursue a process of individual company branding or engage in various forms of alliance is particularly germane. In the past individual branding was the norm; however, increasingly we have witnessed an emerging trend in alliances, even among very well known brands. Alliances range from informal or contractual working relationships all the way to the development of new organizations as legal joint ventures. Strategically, these alliances are typically competence-based wherein the strengths of one party compensate for the weaknesses of the other and *vice versa*. However, because the interests of the parties tend to diverge over time, the historical success record of strategic alliances is far from stellar.

Obviously, the co-branding implications of strategic alliances are considerable and examples abound (e.g., Disney and McDonald's co-branding for the movie Hercules); in addition, they can be very helpful for new businesses. The founder of Calyx and Corolla, a direct marketer of fresh flower delivery in the US, stated bluntly that she would never have attempted to start her business without a firm delivery arrangement with Federal Express. She believed that leveraging the brand equity of Federal Express was essential to establishing the credibility of her start-up. Similarly, the agreement of many Intel customers to co-brand 'Intel Inside' implicitly recognizes that their customers' brand associations should be favorable and lead to approaching behavior.

Co-branding with customers is becoming more common, as suppliers and customers recognize its potential advantages. Both of the world's most profitable steel companies, BHP Steel and BSC, have successfully co-branded with some of their customers and co-branding by synthetic fiber manufacturers (e.g., Courtaulds, Du Pont, ICI Fibres, Monsanto, Rhone-Poulenc) with their customers was standard practice for years.

While co-branding can have positive benefits, managers should be concerned about the potential customer confusion and loss of equity when disparate brands from different organizations are conjoined. In co-branding situations, management may have little or no control over the associations linked to its co-brand partner.

A special case of co-branding occurs when the firm employs its own multiple brands on a single product. While the product may benefit from a family or corporate brand, if it is positioned for a different segment than the family or corporate brand, these brands may hurt rather than help. For example, Holiday Inn has dropped its brand from US advertising for its upscale Crowne Plaza hotels because the association was harming Crowne Plaza's positioning. In Asia, where Crowne Plaza is weaker, it continues to associate Crowne Plaza with Holiday Inn.

Inter-Market Dimension: Localize or Globalize?

On the inter-market dimension the tension between pursuing a localized branding (i.e., different brands for different world markets) or a global branding (i.e., one brand across different world markets) strategy is particularly pertinent. Several arguments favor developing global brands (see also, Aaker and Joachimsthaler, 1999). First, not only are consumer tastes becoming more homogeneous, driven by visual media (e.g., film, television programs) and increased travel, many corporations are introducing global purchasing systems for which multiple brand names would be confusing. Second, efficiency in communications is enhanced inasmuch as television stations are increasingly reaching multinational audiences (e.g., Star TV [in Asia]; BSB SKY, Astra, and CNN), and the Internet extends global reach. Third, economies of scale in promotion (e.g., advertising, promotional materials, packaging) can be secured. This is especially important for high-cost visual media (e.g., television commercials) where essentially the same advertisements can be used in different countries. Fourth, as individual travel continues to expand, sales volume from visiting consumers recognizing their favorite brands (and advertising for those brands) in foreign countries is likely to increase. Finally, the brand may provide important national associations that have global appeal (e.g., Rolls Royce = British Upper Crust; Marlboro = the American West; Foster's Lager = laidback Australia). Perhaps the most important argument for global branding, however, is the opportunity cost of not doing so. In a world of global predators, a firm owning brands with unexploited global potential will be forever vulnerable to an unfriendly bid. GrandMet (now Diageo), rightly or wrongly, believed that Pillsbury had failed to exploit the global potential of such brands as Green Giant, the Doughboy and Haagen Dazs; this provided a major motive for its successful bid.

Major arguments against global branding are lessened ability to present a 'local' appearance especially if xenophobia drives purchase of 'local' brands and difficulty of presenting a single brand and name appropriately in all cultures where the product will be sold. In sum, managers must carefully weigh the pros and cons of global versus local branding. Even when global branding is judged appropriate, technical and legal restrictions may prohibit complete implementation of a global strategy. Nonetheless, failure to explore the potential, whether directly or via cooperation such as licensing, is likely to carry an even-greater penalty in the future.

A related issue concerns the appropriate number of brands in the company's portfolio. Nestlé maintains a portfolio of 10 worldwide corporate brands, 45 worldwide strategic brands, 140 regional strategic brands and 7500 local brands. By contrast, in 1999, close competitor Unilever announced that it cut its brand portfolio by 1000 of 1600 brands and will focus on a core group of 400 global and regional brands that account for 90 per cent of its $27 billion global revenues.

Monitoring, Revitalizing and Concluding

We now turn to the question of how to tell the health of a brand, and how to resuscitate an anaemic brand. We then revisit the notion of senior manager as brand custodian.

Monitoring: Brand Health Checks

Although the absolute value of organizational brand equity is important in merger, acquisition and divestiture activity, for most day-to-day managerial purposes, change in brand equity is the major consideration. A number of leading fast moving consumer goods companies have installed a system of brand health indicators to assess the direction of change, if any, in brand equity and to identify key issues that might otherwise pass unnoticed. These systems help remedy a major defect in measuring of brand manager performance by adding a long-run component to what are frequently short-term measures. Indeed, a sole focus on short-term measures such as profit, volume or market share is rather like asking a corporation to show only an income statement. Brand equity is the balance sheet for the brand,[6] and provides assurance that good short-term results have not been achieved at the expense of the brand's future.[7]

Brand health indicators typically consist of trend measures in such criteria as customer purchase behavior, customer perception, marketing support and profitability. In addition to historic trends, managers may also benchmark their brand's performance against competing brands. When the health of the entire brand portfolio is assessed using the same criteria, senior management gets a good overview of an entire business unit's or company's brand health. A typical set of brand health measures is displayed in Table 2.

Brand health checks are not a one-time event. Rather the health of a firm's brands should be measured on a periodic basis, for example, bi-annually or annually, and the results used to make appropriate changes in the firm's market strategy.[8] Senior management must recognize that such measures are often more sensitive and leading indicators of brand performance, and be prepared to pay for the appropriate data.[9]

Revitalizing — Brand Reinvigoration

The marketing landscape is littered with the detritus of once valuable and famous brands that fell on hard times and disappeared. Certainly, from time-to-time, the appropriate managerial decision may be to retire a brand. Yet, as discussed earlier, since brands have value in and of themselves and are a major organizational asset; such decisions should be made consciously and not just be the result of managerial neglect.

Brands go into decline for many different reasons: company neglect, affirmative actions to 'milk' brand equity, mismatched positioning as the targeted market segment changes, overall market or market segment decline and severe competitive pressure. In addition, firms sometimes make affirmative decisions to scrap brands (e.g., Datsun, MasterCharge, Jordan Marsh). In an article entitled, 'Does the world really need 31 varieties of Head and Shoulders shampoo? Or 52 versions of Crest?' Business Week (1996) pointed out that Procter and Gamble was cutting back severely on brand extensions, in efforts to 'make it simple.' As noted above, Unilever has followed a similar approach, and there is little doubt that as worldwide competitive intensity rises, the economic viability of brands with weaker positions diminishes. In Europe today, some supermarkets feature only one or two manufacturers' brands per category, but the space devoted to the retailers' own brands is correspondingly greater.

Some of the many strategies used by firms to revitalize brands are summarized in Table 3 below. However, it should be pointed out that, while these strategies may help to revitalize a brand, brand revitalization is not an end in itself. Rather, if it occurs, revitalization is a consequence of the successful pursuit of other objectives, typically sales growth. Of all these approaches, only re-positioning is typically conducted with brand revitalization as the major objective.

In truth, the best way to retain brand vitality is to continue to innovate. A rapid rate of new product

Table 2 Brand Health Check Measures

Type of Measure	Measure	Description
Purchasing	Market share	Brand sales versus total market sales (units and dollars)
	Market breadth	Number of customers purchasing the brand
	Market depth	Extent of repeat purchase
Perception	Awareness	Degree of awareness of the brand among customers
	Uniqueness	Is the brand differentiated from competition in the minds of customers? And management?
	Quality	Perception of brand quality (Actual quality in blind tests is also a useful measure)
	Value	Does the brand provide good value for money?
	Meaning	What does the brand mean to customers? And to managers? What functions do customers perceive the brand is fulfilling? And managers?
	Consistency	Is there consistency of interpretation of different brand communications? Is there consistency of meaning within the brand portfolio?
Marketing Support	Advertising	Market share/advertising share Advertising/total marketing spend
	Distribution	Extent of distribution coverage in target outlets For retail goods, quality of display, especially in key accounts
	Relative price	Price compared to competitive brands
Profitability	Profit	Gross margin earned from the brand
	Value	Economic value added (EVA) of the brand

Table 3 Summary of Strategies that May Assist Brand Revitalization

Strategy	Examples
Increase product usage	*Tia Maria* (previously an after dinner coffee liqueur) is now touted as a drink for all occasions, in cocktails, and as an addition to ice-cream
Find new uses for the product	*Arm and Hammer* baking soda is now used as an addition to toothpaste; *Bayer Aspirin* now recommended to thin blood
Enter new markets	*Readers Digest* (in a flat US market) now extends editions to many other parts of the world
Reposition the brand	*Old Spice* men's cosmetics is once more positioned as a brand for younger consumers
Improve the product or service	*Xerox* countered massive market share losses in the photocopier market by becoming a legendary provider of great customer service, and won the Malcolm Baldridge award
Augment the product/service	*IBM* added a range of outsourced services
Continue to make existing products obsolete	*Microsoft* begins work on the next version of Windows or Microsoft Office just as the newest version is released
Extend the brand	*Harley Davidson* markets clothes and accessories; *Caterpillar* markets shoes and clothing

introduction is a proven way to pre-empt the need for 'revitalization.' Intel provides a clear example of this principle in action and, whereas they historically pursued their strategy under the corporate brand umbrella, they have shown a similar commitment to Pentium.

Concluding: the Brand Custodian

Senior managers, not brand managers, are the appropriate custodians of the firm's brands. Brands have long-term value, yet what may take many years to develop can be quickly lost through inappropriate managerial decisions. Properly managed brands are essential to creating shareholder value; poor branding decisions can destroy that value. Whereas many organizations have historically focused their strategy making at the business or product-market level, senior management must assert the need to develop an overarching and consistent brand strategy designed to enhance and develop the value of these vital intangible assets. Such a strategy, targeted at customers and oriented against competitors, may have a significantly longer time horizon than strategies based on individual markets or products. It must deal with a set of issues that subsume yet surpass the product-market, and increasingly, the business unit, to become vital corporate strategy concerns.

If brands are indeed the organization's most valuable strategic asset, as many researchers, writers and consultants have asserted, then it is logical that they should be managed from on high, rather than at middle and even junior levels within the firm. Brand management at this level is inevitably strategic, rather than tactical or operational. More than anything, it requires the ability to see the bigger picture. Of course, middle and lower organizational levels should be involved in the management of brands. But senior managers must work closely with their junior colleagues on these issues, should demonstrate their concern, illustrate their importance, and provide the appropriate educational and motivational support.

Senior managers give attention to many important strategic issues, but delegate the strategic management of brands. They do this at their peril. Others may remonstrate that they are functionally bound, that their real expertise is in finance, human resources or operations, or that they lack the marketing skills needed to manage brands. Hopefully, this primer on the strategic management of brands will serve these managers well.

Notes

1. Many of the examples in this paper were deliberately drawn from consumer products and services, in part because they are more recognizable to readers but also because most of the focus of research and practice on brands and brand equity has been in the consumer arena. We do not mean to imply, however, that branding issues are not relevant for business-to-business marketing. The management of companies such as Brother, DuPont, Canon, Federal Express, IBM, Intel, Microsoft, TNT, Xerox and many others are well aware of the issues we have raised in this paper. However, it is worth pointing out that in many of these companies the language is different. Business-to-business firms may be more inclined to talk of customer trust and confidence or the importance of being seen as risk-free and experienced, with a track record and history in the market. However, to all intents and purposes these are some of the most critical components of brand equity in their milieu.
2. Complications may arise if there is a perception of positive price/quality relationships; approaching behavior from low price perception may be offset by avoiding behavior from low quality perception, and vice versa.
3. For further discussion and elaboration on this issue see Blattberg and Deighton (1996).
4. A related perspective holds that *organizational* brand equity is a function of the difference between the price paid for the branded product and the price of an identical unbranded generic product.
5. See, 'Brand Valuation — A Practical Guide,' *Accountant's Digest*, March 1999, Issue 405. Because FRS 10 does not allow the capitalization of internally developed brands, a significant anomaly continuous to exist.
6. We are indebted to our colleague Tim Ambler of London Business School for this insight.
7. For a discussion of some of the issues surrounding the brand management system, see Berthon *et al*. (1999).
8. Keller's (2000) brand report card offers another valuable systematic way for managers to think about the performance of brands on a number of important characteristics.
9. We argue that senior management relies too much on operating profit reports and neglects other important measures such as those in Figure 2. Interestingly, some leading accountants share this view (e.g., Kaplan and Norton, 1993).

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NOEL CAPON, *Columbia University, Graduate School of Business, 515 Uris Hall, New York, NY 10027, USA. E-mail: nc7@columbia.edu*

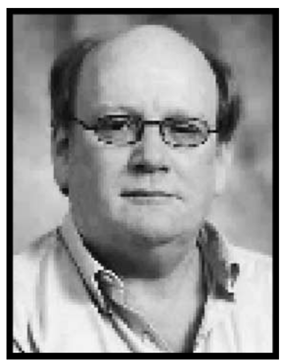
Noel Capon is Professor of Marketing and Chair of the Marketing Division at Columbia Business School. His research interests are in key account management, the marketing of financial services, marketing planning and strategy, and the determinants of corporate financial performance. A prolific author, his latest books are: Key Account Management and Planning, Marketing Management in the 21st Century, *and* Everybody Markets.

PIERRE BERTHON, *School of Management, University of Bath, Bath BA2 7AY, UK. E-mail: prb@dial .pipex.com*

Dr Pierre Berthon is Professor of Marketing at the University of Bath. His research interests are eclectic and focus primarily on management decision-making, strategic modes of organization, electronic commerce and interactive marketing.

JAMES M. HULBERT, *Columbia University, Graduate School of Business, 515 Uris Hall, New York, NY 10027, USA. E-mail: jmh10@columbia.edu*

James Mac Hulbert is R.C. Kopf Professor at Columbia Business School. His research centres on issues of marketing strategy, planning and organization. His most recent book (with Noel Capon) is Marketing Management in the 21st Century *(Prentice Hall).*



LEYLAND F. PITT, *Curtin University of Technology, School of Marketing, Perth, WA, Australia. E-mail: pittl@curtin.edu.au*

Leyland F. Pitt holds joint posts as Professor of Marketing at Curtin University of Technology, Australia, and Fellow in Marketing and Strategy, University of Cardiff, UK. His research interests centre on the future of brands and alternatives to product and brand manager systems, customer search and the new media, service delivery mechanisms, and the IT-marketing interface.