A COMPARATIVE ANALYSIS REGARDING BRAND NAME STRATEGIES

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Abstract: Nowadays, in an age of globalization, brands are growing ever more valuable. They have to differentiate one product from another, position the offer and also be adaptable both to changes in product lines and ranges, and to evolving consumers' expectations. The continual increase in the number of products makes branding an increasingly complex business. This paper approaches, in a comparative, critical and impartial manner, the main brand name strategies, revealing the specific features, advantages and disadvantages of each.

Key words: brand name, brand strategy, brand extension, co-branding

Introduction

Any successful business strategy must encompass a clearly defined brand strategy and involves enhancing the product mix. The latter can be done basically in two ways: through acquisition (buying other companies or acquiring patents, licenses or franchises from other companies) or through development of new products (Kotler, 2002). The brand strategy implies some major strategic decisions about: brand sponsorship (manufacturer's brand, private brand, licensed brand, brand alliances), brand names and brand repositioning (Kotler, 1999).

Considering brand name strategies, various approaches can be identified in the specialized literature, many of them being somehow recurrent, but each of them adding scientifically value to our analysis.

Basic approaches regarding brand name strategies

In a first approach, Kotler (2003) outlines two basic brand name strategies consisting of establishing *new brand names* for new products and, respectively, putting existing brand names on additional products launched in the same category (*line extension*), in a new category of the same industry (*brand extension*) or in a new industry (*brand stretching).*

Each of these strategies has its own advantages and risks. Line extension can generate greater brand equity and cost reduction as brand awareness of a new name and offering is not necessary, but requires the discipline of adding new items while subtracting unprofitable items from the line. In some cases, the new items can cannibalize the sales of the old ones without bringing in the additional revenue to cover the additional cost. Using an existing brand name to launch additional products can sometimes reduce operational efficiency, increase distribution costs, confuse consumers, and reduce overall profitability. Most brand stretching and extensions imply the risk of diluting the brand image or even compromising it if the new product is a

failure. The existing brand name creates a feeling of more of the same, rather than offering the opportunity of establishing a fresh public relations story and valuable media attention.

In another approach, Kotler (2002) identifies three main choices when it comes to brand name strategy: line extensions, brand extensions and multi-brands.

Line extensions consist of introducing additional items in the same product category under the same brand name, such as new flavors, forms, colors, added ingredients, and package sizes. The vast majority of new products are actually line extensions. Yet, extensions may lead to the brand name losing its specific meaning, phenomenon called "line-extension trap". A line extension obviously works best when it takes sales away from rivals, not when it cannibalizes the company's other items.

Brand extensions imply using an existing brand name to launch new products in other categories. A recent trend in corporate brand-building is corporations licensing their names to manufacturers of a wide range of products. Brand-extension strategy offers many of the same advantages as line extensions but if the new product disappoints buyers, their respect for the company's other products is damaged. In some cases the brand name may be inappropriate to the new product or the brand name may be diluted, when consumers no longer associate a brand with a specific product.

Multi-brands strategy consists of introducing new brand names in the same product category (usually trying to establish different features, appeal to different buying motives, lock up more distributor shelf space, or protect its major brand by setting up flanker brands) or in new product categories. Ideally, a company's brands within a category should cannibalize the competitors' brands and not each other, or, at the very least, net profits from multi-brands should be larger despite some cannibalism.

Another approach is that of Kapferer (1994) who sees six types of brand name strategies, considering the relationship between brand names and the product mix hierarchy: product brand, line brand, range brand, umbrella brand, source brand, and endorsing brand.

The *product brand* name strategy consists of assigning an exclusive name to a product and to accord it its own individual positioning. Thus, a firm has a brand portfolio which corresponds to its product mix. Kapferer considers this strategy suited in the when the firm carries out a mass attack on one market with several segments having different types of expectations, when the level of physical and functional differentiation among products is low, when the firm is highly innovative and wants to gain the pioneer advantage in markets where success gives rise to copying, when the firm wants to take risks in new markets, but does not want to put at risk its existing successful brand names, when the firm wants to extend itself into various and significantly different product categories and markets, or when the firm wants to gain more of the retailers' shelf space. The product brand also implies some drawbacks: the marketing costs implied by each new brand launch and the spreading of marketing efforts on various directions.

The *line and the range brand* name strategy consist of assigning exclusive brand names to product lines or ranges. Both the line and the range brand extend their specific concepts across different products, allowing for what is called cross-branding. The line becomes an answer to the call for like products with complementary features, all under the same brand name. Line and range brand strategies raise the selling power of the brand, create a strong image consistency, ease the line extensions, and reduce launch costs, but, in the same time, might become marketing traps, especially when

brand managers forget that a line or range has limits given by the level of associations of new products to the existing ones. Line or range brand strategy could also slow down the development of a powerful innovation, in comparison to the product brand name strategy.

The *umbrella brand* name strategy consists of a single brand name supporting several products in different markets, each with its own communication and individual promise. The main advantages of this strategy are the capitalization of the single brand name and the considerable savings regarding the marketing communications effort. Still, the umbrella brand strategy involves risks when new products develop into failures or when the brand name is extended into product categories completely unsuited to its main associations. Thus, the equity of the umbrella brand might be negatively affected.

The *source brand* name strategy is identical to umbrella brand, apart from the fact that products are directly named (for example, Toyota Lexus, Toyota Yaris etc.). The main emphasis is still on the source brand, but each product or product line has its own additional secondary brand name. The main advantage of source brand strategy is its ability to impose a sense of difference and depth. The source brand can promote its own significance in an enriched way through the additional brand name, in order to attack a specific customer segment. The main disadvantage of this strategy lies in overstepping the limits of the source brand's core identity.

The *endorsing brand* name strategy differs from the source brand strategy by the fact that the individual name of each product or product line is firstly emphasized, while the endorsing brand (usually the corporate brand) has only a secondary supportive role, suggesting values and guaranteeing quality or other attributes (examples of endorsing brands could be Nestle, GM, Kraft-Jacobs-Suchard etc.). The main advantage of this strategy is the greater freedom of maneuverability which it confers, being one of the less costly ways of giving substance to a company name.

Considering possible brand-naming strategies, Riezebos, Kist and Kootstra (2003) have a less complex view on the subject, distinguishing monolithic, dualithic, and multilithic brand name strategies.

The *monolithic* strategy uses one brand name and one visual style in different product groups or product classes. In this strategy, the brand name is also called "family brand" or "umbrella brand".

The *dualithic* strategy uses two brand names for the same article: a joint brand name (usually the name of the company), and an individual brand name for each article, the individual brand name being a *product-line extension* of the joint brand name (consisting of letters and/or numbers), or being supported by the addition of the joint brand name (an *endorsement*). In general, product-line extensions are applied to durable goods, while endorsement strategies are suited for both durable and fast-moving goods. Research has also shown that consumers associate brand names with an alphanumeric extension with technological products (Pavia and Costa, 1993).

In a monolithic or dualithic strategy, one and the same brand name is used for several products, financial advantages being gained, while the value of a successful brand is thus exploited and probably enhanced, but the negative publicity around a branded article can obviously shift to other products brought onto the market under the same brand name.

The *multilithic* strategy consists of giving branded articles *entirely different brand names and logos*, *similar brand names* (thus creating *series brand names* which

usually have one common syllable (for example, Nestea, Nescafe, Nesquick, or McFries, McChicken, McDrive etc.), or *entirely different brand names, but similar logos* (thus creating *series brand logos*).

Extended approaches regarding brand name strategies

The choice of a specific brand name strategy very much depends on the financial and strategic advantages aimed by the parent company. Still, all the above mentioned strategies imply creating and/or using own brand names, while a company is not limited to its own brand names when it comes to brand naming strategies.

When developing a brand, considering the size of the budget that is made available to the marketing communication of the brand and the effect that this has on the possibility of using advertising as a brand–building instrument, there are basically two strategies – *low-budget versus high-budget brand strategy*.

The reason for choosing one of the two strategies is mainly financial, regarding the amount of financial reserves of the corporation, but can also be determined by a management choice, considering two main causes: the target group of the brand is not sufficiently large to guarantee a satisfying return on the invested advertising capital and/or the choice made for a general low-cost strategy for the brand, which implies a low level of differentiation in other terms than lower-price in the context of an acceptable quality.

The methods to be used for establishing the most suited budget oriented strategy for a brand, analyze the costs, in terms of advertising budgeting, related to reaching a certain percentage of the target group of the brand (*task-assigning method*) or to the market share to be achieved for the brand (*competition-oriented method*).

The task-assigning method implies the determination of the minimal size of the advertising budget needed to reach a part of the target group. Firstly, this target group must be clearly defined, then the media needs to be selected accordingly, and an objective should be formulated, in terms of percentage and frequency of the target group to be reached. The objectives further generates the gross rating points to be bought from the media concerned (GRP = one advertising contact with 1% of the target group). For example, the objective "50% of the target to be reached within an advertising campaign, each one 20 times" actually means 50x20=1,000 GRP. Considering the medium price for a GRP, the advertising budget can be estimated.

The competition-oriented method is based on identified correlations between the advertising share of the brand and its market share. Recent studies (Jones, 1992; Kent and Allen, 1994) have demonstrated a negative relationship between market share and advertising expenditures. Thus, a brand with relatively low market share should have an advertising share that is higher than the market share, while a brand with a relatively high market share can have an advertising share that is lower than its market share (table 1).

Table 1. Relationship between market share and advertising share

Market share (%)	1-3	4-6	7-9	10-12	13-15	16-18
Additional required advertising share (%)	+2	+1.5	+1	0	-2	-3.5

Source: Jones, J.P., How Much is Enough? Getting the Most from your Advertising Dollar, Lexington Books, Lexington, 1992

The method firstly implies determining all the advertising expenditures in a product class, then, considering the market share to be achieved, the advertising shared

needed is estimated, and thus, a certain value for the advertising budget can be established. For a newly introduced brand, a rule often used is that the additional advertising share needed, should on average be doubled. For example, if for a newly introduced brand a 4% market shared is to be achieved, than the advertising share should be 3+2x1.5=6% of the advertising expenditures in the product class.

After covering both calculation methods, if the financial reserve of the company is substantially lower than the highest amount determined, the low-budget brand strategy should be chosen. Otherwise, the high-budget brand strategy should be the most suited.

In comparison to the high budget strategy which involves significant investments in advertising, the low budget strategy shifts the accent to *brand naming*, *packaging* and to processes where *image transfer* can play a fundamental role.

Giving the fact that *the brand name and the packaging* reveal two kinds of associations in consumers' minds – the associations of the name and packaging itself and those that consumers have learned to link to the brand name and packaging through marketing communications – both brand name and packaging can play an active or a passive role in the brand strategy. Thus, in the case of a low-budget strategy, the brand name and packaging should suggest within themselves, in the absence of advertising, certain associations (product category, quality, usage etc.), even at the first confrontation with customers, thus playing an active role and a symbolic function. Recent studies have shown that even in the absence of advertising, the confrontation with a brand name will call up certain associations (Collins, 1992) and the packaging design itself contributes to the brand image (Southgate, 1994). On the other side, in the case of a high-budget brand strategy, the brand name and packaging play a passive role and a signal function, consumers linking them to certain associations conveyed by advertising, the name and the packaging themselves being abstract and suggesting few or no associations at the first confrontation, in the absence of advertising,.

However, besides brand name and packaging, there are a number of other useful instruments for giving meaning to the brand in the case of low-budget brand strategy, all being based upon the technique of *transferring the image* consumers have already developed around something to something else (for example, a new product), possible sources of image transfer being: an ingredient brand, a qualification mark, a geographic image, or another brand through the use of co-branding.

An *ingredient brand* is used only as a component of a branded article (Norris, 1992), being consumed ands bought only as a part of the branded article, while the brand name of the component is only used as an ingredient to other products. Thus, although a brand like Michelin can only be consumed as a component of a vehicle, it is not an ingredient brand because it is usually bought separately. Still, Intel is considered an ingredient brand, although sometimes it is bought separately. Thus, a correction should be made to the ingredient brand definition, replacing the term "only" with the term "usually" when considering buying the ingredient separately.

Through the process of image transfer, the positive image of the ingredient brand may contribute positively to the image of the host brand, while the probability of a negative feedback for the ingredient in the case of the host's failure is minimal. Recent studies (Simonin and Ruth, 1998) have shown that a higher level of brand awareness of the ingredient leads to a stronger influence on consumers' attitude toward the host brand and to a weaker influence of the host brand on the ingredient brand (the

"feedback"). Thus, the more powerful the ingredient brand is, the more secured it is in the case of the host's failure.

A *qualification mark* (Riezebos, Kist and Kootstra, 2003) is a collective brand that is mentioned as an additional distinguishing mark on products, meant to emit signals on product quality (for example, ISO) and/or guarantee the socially responsible way in which a product has been produced (for example, Fair Trade), and which is provided by an independent organization. It is important to know that qualification marks can only add value to a host brand when the brand-added value of the host brand is low. For strong brands, the qualification mark name will have little or no value to consumers.

A *geographic image* related to the stereotypical images that consumers often have of a city, region or country, can provide a positive addition to the host brand. A geographic image can be linked to a brand by referring directly (for example, British Airways) or indirectly (for example, Lamborghini) to it in the brand name or in the brand slogan, by applying the "made in" label, by drawing near a national flag etc. Considering the geographic images involved, the E.U. introduced regulations on names for regional food products, distinguishing three types of such geographical names: protected names of origin (the raw materials and the production are in a certain region), protected geographical indications (only the production is in a certain region), and guaranteed traditional specialties.

Co-branding consists of an alliance between brands, taking three different forms: co-branding *on the product level* (when a new branded article is created on the basis of two branded articles), *on the distribution level* (when one branded article is sold in combination with the other branded article, or corporations distribute each other's branded articles in markets where one of them has a good distribution network), and *on the communication level* (when one branded article is praised in another brand's marketing communication statements).

When co-branding on the product level, the two brands names must be owned by different companies or business units, must also be used independently of each other, and both brand names must be communicated equally to the consumers. Recent studies (Washburn, Till and Priluck, 2000) have shown that co-branding is a win/win proposition for compatible product categories, although it appears that low equity brands benefit most from co-branding. Co-branding with a high equity brand offers competitive advantage to a new product being introduced with a relatively unknown brand name or to the existing product seeking a means to build awareness or reposition. High equity brands appear to not be diminished by their pairing with low equity brands thereby offering protection from poor co-branding decisions. This positive impact affects both the co-branded product and the brand equity of each co-brand partner. The only brands not enhanced by co-branding are those with well-entrenched, long-standing positive images. Nevertheless, these brands are not negatively affected by co-branding. Consumers appear to be able to distinguish between the two co-branding partners about which partner is primarily responsible for the product's good/bad performance.

Considering the co-branding on the communication level, recent studies (Rao et al., 1999) have demonstrated that this form of co-branding could be favorable for a brand that needs a quality perception boost, but has significant effects only if the brand that offers the high reputation is vulnerable to negative feedback, in order for the reputation transfer to be credible. Other studies (Samu et al., 1999) have shown that if the goal is to increase brand name awareness, a complementary partner should be

selected, while if the objective is to increase the awareness of certain attributes or benefits, a non-complementary partner is better suited.

The concept of co-branding is also analyzed by Kotler (2002). His *dual brands* strategy occurs when two or more well-known brand names are combined in an offer. Each brand sponsor expects that the other brand name will strengthen preference or purchase intention. According to Kotler, co-branding can take one of the following forms: *ingredient co-branding* (one of the brand names is an ingredient of the product branded through the other name), *same-company co-branding* (when one of the brand names is the corporate brand name, and the other is a specific product category brand name), *joint venture co-branding* (when the two brand names are both corporate names), *and multiple-sponsor co-branding* (when more than two brand names are put together).

Discussion and conclusions

Analyzing the above mentioned brand name strategies, one might observe, in the same time, both recurrences and differences.

Thus, the multi brand strategy of Kotler is very much the same to the product brand strategy of Kapferer and the multilithic strategy of Riezebos, Kist and Kootstra. Still, each author differently nuances their specifics, Kapferer being the most analytical, somehow separating the line and range brand name strategies from what the other authors group into the "multi" type strategies, or slightly grouping them into simple "line extensions". Also, the monolithic and dualithic brand name strategies of Riezebos, Kist and Kootstra very much resemble the umbrella and source brand name strategies of Kapferer, the latter being again more analytical, separately grouping apparently similar brand name strategies: umbrella, source and endorsing brand strategies.

On the other hand, Kapferer does not identify among the brand name strategies those considering brand alliances, dual branding, co-branding etc. More than that, when analyzing dual brand name strategies, Kotler is surprisingly restraining the strategy range, while Riezebos, Kist and Kootstra are more detailed analyzing this concept, going beyond what most of the authors call brand name strategies, approaching geographic image and qualification marks.

Obviously, the knowledge about brand name strategies has been strongly enriched by years of research on the subject. Based on the findings previously reviewed, there is no doubt that a set of fundamental factors must be considered when establishing such a strategy and assessing the consumers' evaluations. Although there is much knowledge about the antecedents and outcomes of various brand name strategies, much remains to be discovered particularly in the field of the outcomes. Even though brand extensions and co-brandings are becoming increasingly popular as more firms try to benefit from their established brands by expanding their range of products, present insights into the factors contributing to success and failure are rather modest. A better understanding of these factors can help reduce the risk in these important business decisions.

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