

STRATEGIC BRAND MANAGEMENT IN GLOBAL ENVIRONMENT

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Ljiljana Stanković, Suzana Djukić*

Faculty of Economics, University of Niš, 18000 Niš, Serbia

Abstract. *In modern business conditions, the brand is essentially important for business strategy success. Customers increasingly purchase products on the basis of brand, reputation, and other immaterial attributes and less on the basis of their physical characteristics. A strong brand increases the level of customer satisfaction and loyalty, and efficiency of business strategy. Brand with great value in the market is an important asset of firm. In the paper, authors analyze the importance of strategic brand management in the conditions of global environment.*

Key Words: *brand, customer, equity, strategy, management, efficiency.*

INTRODUCTION

The actual rapid changes in the environment require certain changes in business activities that include the adjustment of business philosophy and orientation of enterprise, as well as changes of business portfolio, organizational structure, and approach to management. An enterprise has to adapt its business activities to the needs and requirements of environment, which has become the imperative of its existence, growth, and development. Some radical (transformational) turns, which require changes in the basic company's values, are also necessary. A rational reaction contributes to keeping the basics of competitive advantage and creating sources for achieving a new one. Market has become global and regional and other integrations have contributed to developing markets with labile borders. Technology development enables linkages on undreamed-of scale. Creating markets without borders, mass accommodation to the needs of strategically important customers, developing and managing relationships, focus on delivering superior values and networking organizations have become the key factors of business success. These are also

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the factors of changes in business environment, which requires adapting the strategic reactions of enterprises.

Managing an enterprise in global economy based on knowledge has become more complex and requires re-examination of business models and all management segments. One of the segments is brand management. The fact that nothing in a market is definitely acquired, since the competition is intensive and the customers are demanding, increases the role of brand and its analysis in marketing theory and practice. The brand is an intangible asset of an enterprise with a great value. Maintaining and increasing capital derived from the assets requires an adequate management reaction of enterprise, which is essentially different in comparison to the brand management at the end of last century. Certainly, successful enterprises attempt to make their brands more known, which creates the basis for their growth and development. Recently, the ways the companies reacted in the 1980s, as a challenge to globalization, have had to be re-examined.

Changes in environment caused by globalization, more intensive competition, changes in customer behavior, etc. impose some new requirements for management in the sense of its adequate strategic reaction. This is the challenge for all enterprises, disregarding the level of globalization. Certainly, the way of strategic brand management in concrete enterprise, in addition to everything else, will depend on structure, value, and position of brand in chosen target markets (global, regional, local; strong, weak; corporate, familiar, individual, etc.). Each category requires certain approach to management. However, the common thing for all companies, other organizations and institutions is that the strategic brand management is more efficient when it uses the balanced approach including optimization of brand management and customer relationships, since the power of brand is more caused by customer loyalty and value of his living.

IMPORTANCE OF BRAND IN STRATEGY OF ENTERPRISE

It is very important for managing brand in the global market to perceive the changes in the behavior of customers and their willingness to accept global brands. These are important not only for global companies in their attempts to move customer preferences in favor of their global brands. Global brands mutually compete (car brands, mobile telephone brands, etc.), but they also strive against regional and local brands. On the other hand, enterprises operating as national or international and not belonging to the group of global ones try to strengthen their brands using advantages in the local markets and abilities to satisfy the need of customers without global orientation. In that process, all enterprises are faced with numerous challenges and threats since customer behaviors are under continuous changes. The researches show [1] that approximately 55% of customers prefer global brands, believing they are of higher quality and stronger, and that enterprises deliver them with greater social responsibility. The significant number of polled customers, 23%, accepts "the myth of globalization" and forms a group of "global dreamers". From the standpoint of brand management, the important fact is that approximately 13% of customers are against globalization, avoid global brands and, whenever is possible, choose local ones. The group of global agnostics (8%) is also important. They buy not only according to the information of global brand, but always compare different brands equity by using a set of criteria and in final decision-making they choose the brand with

greater equity, no matter if it is global or local one. These and other results of researches indicate the necessity of strategic brand management for achieving success.

Changing the role of brand in creating superior value for customers contributes to a new interpretation of brand importance. The focus is put on understanding product/brand interactions, where the brand is not a supplement to a product but the physical product is an element of brand. A brand is the combination of attributes promised by enterprise, benefits it gives to customers, and values that they expect. Emphasizing the importance of variables of confidence, devotion, and loyalty between customers and enterprise directs attention to customer / brand relation. Keeping customers and connecting them with a brand and enterprise require creating a sensible dialogue with customers. The importance of brand in business strategy affirms paradigm of calculating its economic value, called brand equity. Brand is a kind of long-term investment which, adequately managed, has become a factor of enterprise's profitability.

Brand has the essential importance for the success of enterprise, having in mind that, in contemporary business conditions, it is more difficult to realize wanted business results without the brand. Branding process has become more important and provocative than ever before and products without brand are fewer in market. It is estimated that the average customer in USA is exposed to approximately 1.500 different brands every day [2]. Brand lessening has been an instrument for protecting customers from wrong buying and it has more synthesized the perceived qualitative product performance, emotional aspects, and reputation. Successful brand becomes the symbol which provides some important functions for customers and increases the product value in their eyes. Brand identifies source or maker of a product and allow customers to assign responsibility to particular manufacturer or distributor. It also allows customers to lower search costs for products. On the basis on what they already know about the brand - its quality, product characteristics, and so forth - customers can make assumptions and form reasonable expectations about what they may not know about the brand. To the extent that customers realize advantages and benefits from purchasing the brand, they are likely to continue to buy it. The brand provides to customers a consistent and comparable quality, disregarding the place of purchase, and it could offer an additional psychological satisfaction, considering the link between status and brand.

From the standpoint of enterprise (manufacturer, retailer), branding helps product differentiation and creating good image, which could be used for creating corporate image. Promotion of branded products leads to the increase of selected demand, which helps enterprise to increase its market share. Brand could also stimulate repeated buying and increase customer loyalty, which results in lower price elasticity. Successful brand enables expanding the brand on other products and prestige creation, as well as the legal protection of unique product characteristics.

In dynamic environment, it is imperative to create strong brand [3] which is based on brand loyalty, brand awareness and image, perceived quality, brand associations, and other proprietary assets, such as patents, trademarks, and channel relationships. These assets provide various benefits and value, which results in strong brand extensions and right skills and originality of its creators.

Brand is a cognitive construction, which, according to the concept of so-called *Boromeo essence*, unites three components: reality, symbolism, and imagination. In the case of McDonald's (Figure 1), brand elements are shown with three circles, which over-

lap and represent the interactive dynamics. The brand is linked to individual customer through three elements: fantasy, myth, and customs. If the brand meets changeable customer wishes and expectations, it will be more successful. If the brand can not do it, it will disappear from the market.

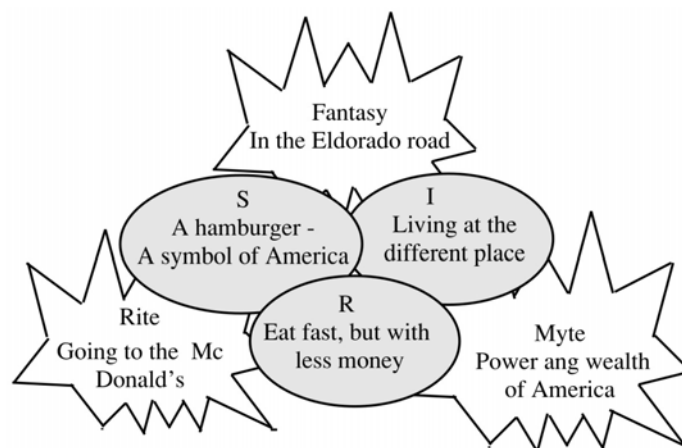


Fig. 1. The Essence of McDonald's Brand [4]

STRATEGIC BRAND MANAGEMENT

Strategic brand management process is important for creating and sustaining brand equity. Developing a strategy that successfully sustains or improves brand awareness, strengthens brand associations, emphasizes brand quality and utilization, is a part of brand management. The brand strategy means permanent investment in research and development, publicity, and customer services. The activities of measuring and controlling brand effects are also important.

The strategic brand management process starts with a clear understanding as to what the brand is to represent and how it should be positioned with respect to competitive brands. The aim is to identify and establish brand positioning which will reflect the benefits that an enterprise could maximize. This includes establishing the essence of brand as the set of imagined associations (attributes and benefits) that are characteristics of brand and choosing the way for its presentation. It is about defining "*heart*" and "*soul*" of the brand.

There are only few enterprises that apply the formalized methodology which helps them to find a way for reducing their efforts and make brand management more efficient. Strategic brand management is more successful if it is based on planning brand portfolio. A brand portfolio of enterprise, in partner relationships, often consists of brands of several enterprises. Some authors have developed a model called "molecule of brand", where each brand is described as an atom and its size indicates the role of brand. The greatest atom indicates leading brand, the atom of middle size indicates strategic brand, and the

smallest atom indicates supported brands [5]. Review of the relevant literature shows that there are different approaches, but most authors think that it is necessary to make a few key decisions: creating brand or not, choosing brand name (individual names, names for product family, different family names for different products, combination of corporate product name and individual product names), defining branding strategy (extending line, extending brands, new brands, more brands, mutual brands); repositioning [6, 7, 8].

The starting point in strategic analysis for the needs of decision-making is brand hierarchy. A brand hierarchy is based on premises that a product can be branded in different ways depending on how many new and existing brand elements are used and how they are combined for any one product. Since certain brand elements are used to make more than one brand, the hierarchy can be constructed to represent how products are nested with other products because of their common brand elements. Keller [8] has differentiated four potential levels in hierarchy. The highest level of hierarchy is a corporate (or company) brand. A family brand is the next-lower level and it is defined as a brand that is used in more than one product category, but is not necessarily the name of the company. The third level is an individual brand. It is the brand that has been restricted to essentially one product category, although it may be used for several different product types within the category. The latest level is so-called a modifier which is a means to designate a specific item or model type or a particular version of configuration of the products.

Planning a brand portfolio is suggested as an instrument for more efficient decision-making in brand management process. Since the brand portfolio is the set of all brands and brand lines that an enterprise offers to customers in a particular category, the planning of brand portfolio represents a process that includes the following phases: identifying brands in the brand portfolio, estimating contribution of each brand to business performance, estimating the brand (actual and future) position, differentiating brands in the portfolio, considering their possibilities and abilities of enterprise to exploit them, reinvestigating the portfolio, and developing a strategy of brand reconstruction [9].

Successful brand positioning is a difficult task. Many brands stumble faster than they need to do it. To avoid that, it is necessary: to define brand positioning clearly before creating awareness in the mind of customers, to promote those brand attributes that are important from the standpoint of customers, to invest enough in the difference that competitors can easily copy, to answer to competitive actions in accordance with both customer needs and possibilities of enterprise. Sometimes the problems could be caused by decision of companies to reposition their brands even though it is not justified [10].

CUSTOMER-CENTERED BRAND MANAGEMENT

Brands are created for satisfying customer needs and, simultaneously, for achieving goals of enterprise. Marketing theoreticians and practitioners pay more attention to creating a balanced brand portfolio for particular segment as the basis for successful strategic management. Companies with efficient brand portfolio management use different criteria for its valuation [11]. The known and confirmed methods for estimating market attractiveness provide relevant information for making decisions of brands for competing in selected target segments. Crossing criterion of market share in each segment and rates of development of particular industries, that is potential for segment growth, makes it possi-

ble to estimate both current and future brand position. Nowadays, brand equity has become more important, as well as certain investment necessary for its maintaining or extending, according to value of customer life. This practically means that through establishing long-term customer relations the focus moves towards familiar, or corporate brands. Brand management is successful if it provides growth of customer capital and when the image is used both for getting customers and retaining them. But, this do not means that brand is not important. On the contrary, it is very important for management to focus on increasing brand capital, but that process simultaneously contributes to increasing both brand capital and customer capital. Focus on efficient brand management through increasing customer capital in long term is an effective strategic decision. Efficient customer relationships management means that enterprises could also introduce new brands that customers prefer and this is a way for linking the customers for brands of enterprise, not only for the individual brand. As some authors say [12], the brands appear and disappear, but the customers remain.

Customer capital could grow in different ways. The practice of successful enterprises, however, shows that the process of customer capital growth will be more effective and efficient if certain assumptions are fulfilled. On the basis of leading enterprises' research some useful conclusions and recommendations, which could be used by other enterprises, have been derived. The recommendations are:

- Decisions on customer relationship management are primary, and decisions on brand are secondary. This requires a coordination in the process of customer management and brand management as well as the need for teamwork of manager-specialists;
- Brand extension and development depend on customers;
- Customer is in focus and he is the basis for brand management, and approach to small segments could enhance efficiency;
- Plan of brand extension is based on customer needs and provides efficient marketing resources allocation;
- Using resources in the brand management process will be more efficient if customers are in "profound" relationships with the other brands of enterprise;
- Brand retention depends on customers. It is suggested to retain those brands that have loyal and profitable customers;
- The brand capital valuation approach has to be changed. Starting assumption in the valuation process is to understand customer capital driver as well as influence of brand capital on customers and buying process [12, 13].

Customer-based brand equity (CBBE) model (Figure 2) provides a unique point of view as to what brand equity is, how it should be built, measured, and managed. The basic premise of the CBBE model is that the power of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time. Understanding the needs and wants of customers and devising products to satisfy them are crucial for creating brand equity. A brand is said to have positive customer-based brand equity when customers react more favorably to a product and the way it is marketed when the brand is identified than when it is not, which might result in customers being more accepting of a new brand extension, less sensitive to price increases and withdrawal of advertising support.

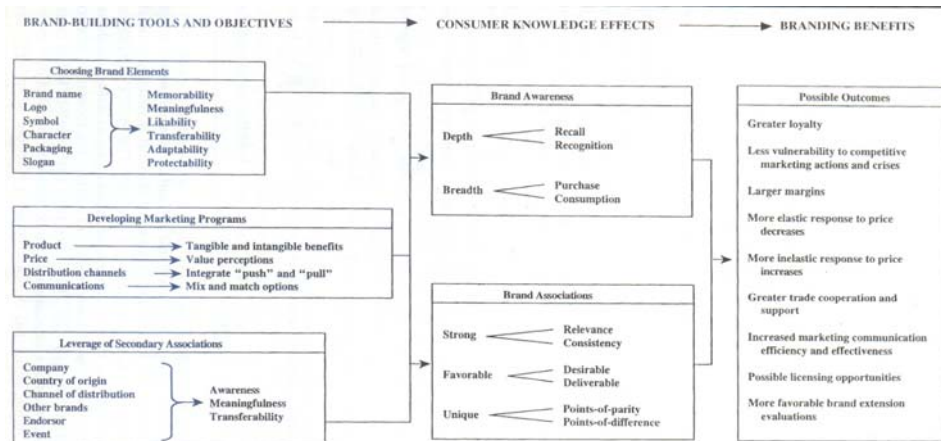


Fig. 2. Building brand equity [8]

According to the CBBE model, the brand equity is a "strategic bridge" from its past to its future. Investments in a brand should not be considered as expenses but as long-term investments, and the quality of the investment in brand building is the most critical factor, not necessarily the quantity of investment.

Process of designing and implementing brand marketing program includes choosing brand elements, integrating the brand market activities, and searching the brand associations that indirectly will be used in brand positioning. Brand elements are visual or verbal attributes that serve to identify and differentiate a product - brand name, logo, symbols, characters, packaging, and slogans. They can be chosen to enhance brand awareness or facilitate the formation of strong, favorable, and unique brand associations. Secondary brand associations may be linked to company reputation, origin country, place image, licensing, different cultural and sport events.

The reasons for brand strengthening, which cause a strategic approach to management, are numerous. Competitive advantage of enterprise, for instance, depends on its reputation and brand strength. Aaker cites the following statements [14]:

- Enterprises are different, disregarding more similarity in their products and services. Corporate brand could have a program that contributes to strengthen brands of particular products,
- Association of brands (including all other brands of enterprise) contributes to make confidence,
- Brand strengthening covers all products and markets and makes the process of brand management easier and more effective,
- Interbrand's meaning for employees have to be supported by mission, goals, values, and culture of enterprise. The enterprise brand often gives a message for customer relationship that is quite different from the product brand.,
- The brand enables a special synergy.

Strategic decisions are directed to create a real brand loyalty. The researches show that several categories of brand loyalty could be differentiated [6]: real focal brand loyalty

(focal brand is brand of special importance), real several brands loyalty including the focal brand, unfair repeated buying focal brand, and casual buying focal brand from both loyal and unfair customers of other brands. For creating real loyalty it is necessary to satisfy following criteria: 1) customers perceive the focal brand as superior related to the preferred competitive brands, 2) level of customer inclination toward focal brand must be higher than inclination toward the other brands, 3) customer intends to buy the focal brand when he has need for buying. An efficient strategic reaction is directed to retaining current customers and making barriers for brand change by increasing customer satisfaction and loyalty. Managing quality, satisfaction, loyalty, and profitability, as strategic instruments, contributes to strengthening brand equity and improving business performance.

Developing brand loyalty is the key task of marketing managers. Understanding how customers evaluate and buy a brand is critical not only for success of marketing, but also for success of business strategy. Many indicators show that particular brand loyalty decreases in great number of product categories. Besides building loyalty, it is important to raise the rate of using particular products in different markets and from different customers. Getting and keeping customers that are loyal to particular brand is most useful when they together are gross users of products. Depending on the level of brand loyalty, very different strategies could be formulated:

- When a profitable segment is loyal with high rate of using, focus has to be on changing loyalty in favor of enterprise's brand,
- Under conditions with enough number of small users of loyal brand, focus on raising their rate of using enterprise's brand is a desirable strategic reaction,
- If there are enough number of big users that ask for variety, an efficient reaction is to use a brand name as eminent attribute and create new relative competitive advantage,
- In cases when many users ask for variety, and they are small users, it is necessary to react in the way that the brand name has become significant attribute [15].

Strategic brand management is more successful if the brand decisions are based on strategic analysis. It provides the basic information for decision-making. The analysis firstly includes analysis of market, customer, competition, and power of mark [16]. Information received from strategic analysis enable management focus on customers. Brand is the instrument which, if it is used carefully, contributes to creating and maintaining long-term and profitable customer relationship.

CONCLUSION

Successful brand is an important strategic instrument of an enterprise. It efficiently transfers to customers the meaning of product and makes its identification easier. Effective brand management includes constant endeavor of enterprise to choose the ways for realizing the brand potential and increase its value. The result of used brand potential is creating its leadership in long period through continued investment in quality, communication, customer relationships, and intermarketing, as the basis for creating sustained competitive advantage and more successful strategic positioning of enterprise. The basic message to management is that brand is an instrument, not only a goal and, if it used efficiently, it causes creation of very valued intangible assets - customer capital.

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STRATEGIJSKO UPRAVLJANJE MARKOM U GLOBALNOM OKRUŽENJU

Ljiljana Stanković, Suzana Djukić

Marka je u savremenim uslovima poslovanja od suštinskog značaja za uspeh strategije preduzeća. Potrošači kupuju sve manje na osnovu fizičkih karakteristika proizvoda, a sve više na osnovu marke, reputacije i ostalih neopipljivih atributa. Jaka marka povećava nivo satisfakcije i lojalnosti potrošača, time i efikasnost strategije preduzeća. Marka sa velikom vrednošću na tržištu značajna je imovina firme. Autori u radu analiziraju značaj strategijskog upravljanja markom u uslovima globalnog okruženja.

Ključne reči: marka, potrošač, kapital, strategija, upravljanje, efikasnost.