Corporate brands also require effective management of different stakeholder groups, and their often divergent needs. As a result, a corporate brand can have a multitude of reputations depending on the stakeholder groups you are consulting. Successful stakeholder engagement helps provide the necessary background and environment for a brand to grow and such a 'nurturing environment' allows the building of brand equity, the essence of any business function.

Such integration requires planning and a commitment to some form of corporate vision, which necessitates leadership, the cornerstone of reputation management. Richard Branson's (Virgin) and Michael Dell (Dell Computers) are both examples of entrepreneurs who have successfully managed to integrate their business operations around the brand values.

Following the 'irrational exuberance'[4] of the 1990s and the dotcom boom, brands and their equity now seem in a more stable, realistic state, and their role looks secure for the foreseeable future.

This chapter will examine the important role of brands in reputation management.

Brands: the ultimate business tool

A brand is a complex concept and many different definitions have been put forward that reflect this complexity. Some of the most widely quoted definitions are:

> *'A name, term, sign, symbol or any other feature that identifies one seller's goods or service as distinct from those of others sellers.'*[5]

> *'A brand is a mixture of attributes, tangible and intangible, symbolised in a trademark, which, if managed properly, create value and influence.'*[6]

Brands act as a repository of meaning, both at the functional and psychological level. Although many brands do have a tangible nature, as a concept they are fundamentally intangible and form part of the relationship capital of organizations. Brands exist at both product and corporate levels, but it is the rise of the corporate brand that has helped catalyse interest in corporate reputation. However, irrespective of whether one is discussing a line, product or corporate brand, most aspects of branding can be universally applied.

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4 Quote from Alan Greenspan in the US

5 The American Marketing Association definition of branding

6 www.brandchannel.com

Even though many different definitions exist, no single precise definition has been accepted, and for a very good reason. Integral to the brand concept is the consumers' perception of the product or service; what a brand means to one person may be very different to what it means to another. Herein lies the complexity of branding and the importance of perspective. Historically, too many brands have defined themselves from the manufacturers' perspective, ignoring the fact that consumers understand brands from their own individual experiences.

It is no longer possible for a manufacturer to just artificially create an identity and expect consumers to buy into the image. A corporate brand is judged not only by its image, but also by its pricing policies, its customer service, treatment of employees and, most importantly, its financial performance. Good long-term investment prospects and underlying financial performance make brands strategic business assets, which need to be nurtured and grown through careful management of corporate behaviour and the key drivers of customer equity.

In addition to communicating to multiple stakeholders, corporate brands also offer audiences an incentive to buy into their corporate vision and philosophy. Unlike product brands that tend to concentrate their communications on highlighting differences between competing products, corporate brands focus on communicating the core values and beliefs of the organization. Whereas product brands are ruled by category managers, the guardians of corporate brands are Chief Executives, many of whom have become celebrities in their own right.

Are brands in crisis?

There is little doubt that brand loyalty is being eroded by a wide range of factors, with consumer choice being one of the most critical. Corporate brands have also had their loyalty diluted and challenged by their behaviour when outsourcing manufacturing to third-world countries in order to maximise profit margins. In theory, such behaviour is perfectly in tune with free market principles, but organizations such as Nike have had their brands reputation seriously damaged because of earlier apparent lack of concern about its manufacturing and supply-chain management, leading to severe criticism from NGOs.

Brand loyalty has also been affected by the general decline of social conventions and traditions, such as church-going, sense of local community and the breakdown of the nuclear family. Such social changes have at one level given rise to 'individualism' and the need for 'self-expression'.

However, although many critics have argued that marketing has become a technology and that brand loyalty is a thing of the past, with consumers becoming more pragmatic in their choices[7] brands still have an incredible influence over consumers. Brands are generally chosen for psychological and emotional reasons, rather than purely pragmatic ones. For example, parents are under enormous pester pressure from their children to purchase 'cool' brands that make them more acceptable within their peer groups.

The significant impact of children on purchases made by parents and relatives is the subject of Martin Lindstrom's latest book, *Brand Child*[8]. Lindstrom points out that 'pester power' in the US is estimated to be worth $188 billion, with a further $300 billion arising from indirect influence. Children influence about 60% of all car purchases by parents in the US and 45% of their mobile phone purchases. If a brand attains the status of being 'cool' as determined by children or teenagers, then it soon develops a reputation of its own, fuelled by word-of-mouth marketing.

Within our society notions of individualism and self-expression are often false, as far from being individualistic, people are generally conformist. This need to conform to social pressures to what is 'cool' and 'trendy' is disguised and presented as 'self-expression'. Peoples' tastes and needs are rarely intrinsically motivated, but shaped to a large extent by external marketing forces. So although brand loyalty is being eroded, brands still act as potent marketing weapons and in each sector typically less than six dominate any specific market.

Therefore, in order to maintain market share and position (as well as reputation), brands must be adaptable. Adaptability is the key to survival in an ever changing marketplace; being able to reposition a brand when it has become tired or the market place has matured is important for competitive sustainability. Lucozade has successfully repositioned itself from a glucose sweet drink to an energy sports drink, with completely different brand attributes. The rule is simple: adapt and survive.

The question is not whether brands are in a crisis, but whether marketing itself is in crisis. In *The Next Economy*[9] Elliott Ettenberg puts forward some convincing arguments along the same lines as Regis McKenna regarding some of the key problems facing the traditional marketing approach, which Ettenberg refers to as 'marketing impotence'. Shrinking customer loyalty, the declining influence of advertising, the increased reliance on price promotions, declining profit margins and accelerated product cycles, are all sited by Ettenberg as fundamental reasons

7 Total Access, by Regis McKenna, Harvard Business School Press, 2002

8 Brand Child, by Martin Lindstrom, Kogan Page, 2003

9 The Next Economy, by Elliott Ettenberg, McGraw-Hill, 2002

why brand equity is being slowly eroded. The response to such pressures is a fundamental re-think of the traditional marketing approach and its product-orientated focus.

Geopolitical instability and the rise of anti-Americanism have caused a backlash against certain global brands. In the Middle East, Coca-Cola has been seriously challenged by the emergence of Mecca-Cola and the Iranian backed Zam Zam Cola. Mecca-Cola offers 20% on its profits to the Palestinians and other Muslim charities, and Zam Zam Cola emerged after Pepsi was banned from Iran in the 1980s. In the UK, amongst Islamic communities, Qibla Cola is making an impact.

The rise of relationship marketing and customer equity

Brands are still important but the traditional focus on product-based, transactional marketing, which views the customer as passive, is shifting in favour of a more customer-centric, relationship marketing approach. In 2000, Rust, Zeithaml, and Lemon[10] published a seminal book, *Driving Customer Equity: How Lifetime Value Is Reshaping Corporate Strategy*, which criticised traditional approaches to product profitability.

Rust *et al* argued that instead of focusing on products and the removal of unprofitable items and brands, emphasis should be placed on customers as the real financial assets of a corporation: maximise customer profitability, not product profitability. Their approach attempts to unify the concepts of customer value management, brand management and relationship/retention management.

What are the implications of such work? The transformation from brand-centric to customer-centric has a significant potential impact on reputation management for corporations. By adopting a more customer-centric approach to marketing, corporate brands are more likely to retain customers, especially when brands are perceived as being increasingly similar in their communicated values and identities. Three key components are recognized in the new customer equity model:

1. **Value equity**: the consumer's objective assessment of the use of a product or service based on its perception of such factors as price, convenience and quality.

10 Driving Customer Equity, by Rust, Zeithaml, Lemon, Free Press, 2000

2. **Brand equity**: the consumer's more irrational and emotional evaluation of a brand, which is subjective.
3. **Retention equity**: the tendency of a consumer to stick with and be loyal to a brand.

The customer equity model as developed by Rust, Zeithmal and Lemon, helps determine which of the three drivers are critical to the overall customer equity.

Is your brand B2B or B2C?

An important consideration, often overlooked in marketing literature, is the need to understand the important differences between brands involved with a business-to-business (B2B) relationship as opposed to the business-to-consumer (B2C) relationship. Although many of the processes associated with branding are universal, some important differences between B2B and B2C should be recognized in relation to reputation management.

What are these differences? Business-to business transactions generally have the following characteristics that distinguish them from B2C relationships:

- Purchases are of much higher value and more frequent.
- Products and services involved are often more complex and technical.
- The distribution channels involved are usually more direct.
- The decision-making process associated is more involved and complex from the buyers' perception.
- The decision-making process is more rational, practical and economic.
- The buyer-seller relationship is more personal and based on trust.
- Often involve problem-solving and a high degree of skilled input from the seller.
- Involve a high degree of trust based on brand competence.

All of the above indicate that most B2B relationships are very different to a typical product-based consumer interaction. The most salient features of a B2B association are functionality and the potential for a close, co-operative relationship, based on rationality and practicality. Brand reputation and trust are therefore more critical in a B2B relationship as the sums of money involved and the commitment are much greater. Given this, many businesses require references, or other forms of reputation assurances, before they enter into a relationship with another business, large or small.

Central to developing and communicating this reputation and trust is an editorial, case-based approach. This involves developing case studies for different markets and ensuring that they are published in trade and professional journals, on the Internet and the general media. In addition, many corporations, such as the accountancy and management consultancy professions, have taken to sponsoring or publishing books and reports. These actions all point to a greater reliance on editorial coverage through effective public relations as part of an integrated marketing communications approach. The outcome of such corporate communications is hopefully a better reputation based on actions rather than just advertising or sales speak.

Archetypes and developing brand icons

Some brands have managed to secure and sustain reputations for decades irrespective of increasing competition. Harley Davidson (the outlaw) and Volkswagen (bohemian artist) have achieved icon status and forged a cultural connection with consumers for many years. The ability of some brands to achieve this iconic status is mostly due to their skill at communicating myth and archetypal notions about a product that connects at a much deeper unconscious level within the mind of the consumer.

People need to identify with mythology as witnessed by our fascination with celebrity icons, such as Marilyn Monroe, Princess Diana and JFK. If your brand can successfully tap into an archetype as expressed in mythology, then it could stand a good chance of obtaining cultural iconic status.

What do brands really mean to people?

Brands offer:

- A lasting promise
- Trusting relationship
- Historical continuity
- An image or identity
- An association
- A personality
- An ideal self
- Loyalty

- A sense of purpose
- Security in purchase
- Satisfaction in use
- Reduction in anxiety and risk – help in decision-making
- Leadership and authority
- Coolness and authenticity
- Sense of group belonging
- Sense of community

A typical brand is composed of the following basic components:

- Name – typeface
- Logo/symbol or trademark
- Slogan
- Packaging
- Colour

The above components convey the visual identity of the brand. But brands are much more than their visual presentations and symbols; they also have a powerful identity that helps communicate the brand values. A useful visual representation of how consumers perceive brands is the brand iceberg by Davidson (1997)[11] (Figure 4). Only about 15-20% of the brand is seen by customers (logo and name) and is in the front of their mind, whereas 80%, (below the waterline), conveys values that are generally unseen by the consumer, yet are value-adding and emanate from within the organization, often processed at an unconscious level within the consumer's mind.

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11 Even More Offensive Marketing, by H. Davidson, Penguin, 1997

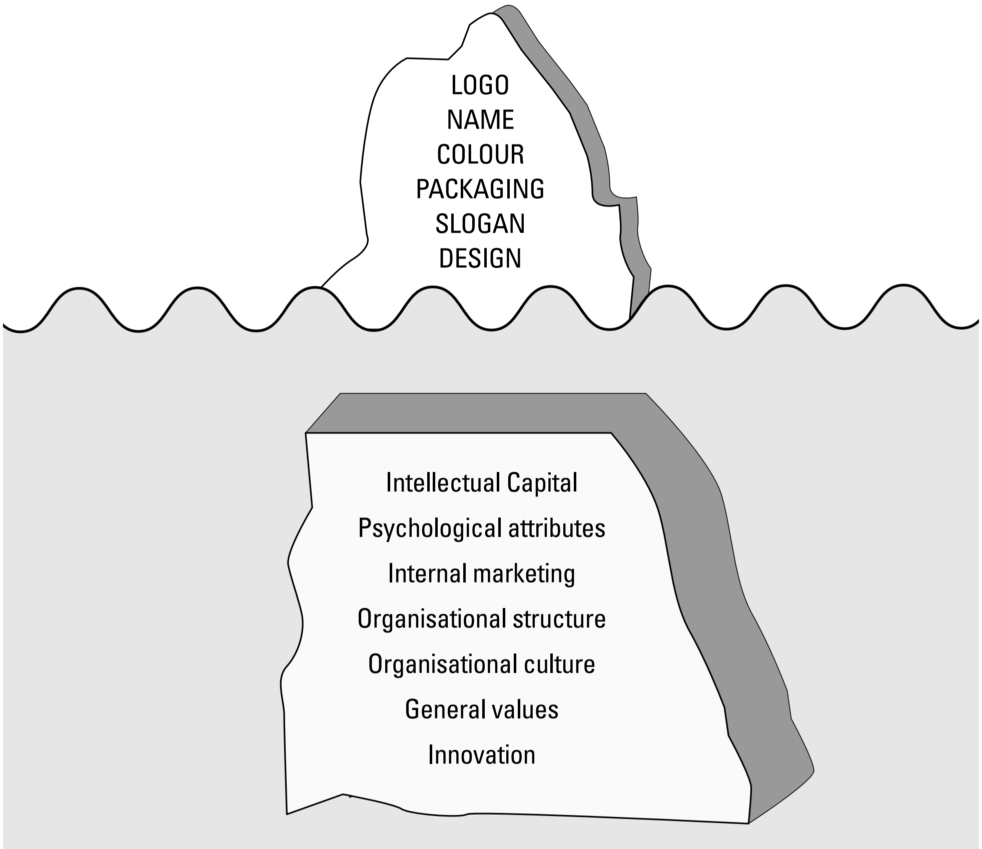

Figure 4: The brand iceberg – adapted from Davidson, 1997

Why are brands now so important?

Today, virtually everything is branded, ranging from commodities such as water through to medicines and micro celebrities. One explanation for this is that brands represent the best psychological vehicles for delivering meaning and value. Indeed, some brands have become so successful they have managed to become synonymous with an entire product category, such as 'hoovers' for vacuum cleaners. Other brands have become market leaders such as Heinz for tomato ketchup and Gillette for razors.

Although current emphasis is focused on developing customer relationships and equity, especially when brands have become commoditised, brands are still important tools for delivering meaning. Developing customer equity is impossible unless the underlying brand(s) exists that a consumer can connect with and desire.

Brands are now big business. The European edition of *Business Week* (2003)[12] in association with the leading brand consultancy *Interbrand* published the Global Brand Scorecard. According to the 2002 rankings, the top five global brands were:

1. Coca-Cola brand value $69.64 billion
2. Microsoft brand value $64.09 billion
3. IBM brand value $51.19 billion
4. GE brand value $41.31 billion
5. Intel brand value $30.86 billion

The following drivers are behind the growth of brands:

- Reputation assets
- Competition
- Decreasing product differentiation
- Brand economies of scale
- The vaccinating power of brands
- Brands as financial assets
- The best psychological vehicles for delivering meaning

Let's consider each of these.

Competition

Virtually every product or service has some form of competition and one of the problems of brands is that they are often victims of their own success. Once an innovative brand has been produced, it is soon copied and its market share reduced over time.

Protection from patents and design rights are crucial, but a new concept is often copied and any unusual attributes, or service offering, are soon reproduced with modifications (to stay within the law) by competitors.

Visit your local supermarket and take a look at the thousands of different product choices available. People want choice and variety and the fast moving consumer goods (fmcg) sector has provided these with abundance. But it is not just the fmcg sector that has increased the competition. Most areas of commerce now offer different types of brands that are aimed at specific target segments.

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12 The 100 Top Brands, Business Week, August 2003 pp74-80

With such competition, brands as differentiating devices are needed more than ever to convey their special meaning through the fog of competitors. Markets have now become highly segmented, as demonstrated by the cosmetics, car and drinks sectors. In *The Soul of the New Consumer*[13] David Lewis argues that consumers have changed dramatically over the last few decades, with a shift from commodity to authenticity and the death of traditional marketing segmentation analysis. As a result of this quest for authentic brands, Lewis convincingly argues that modern brands must recognize and tap into consumers' emotional and psychological needs.

Decreasing product differentiation

As technology has improved, product convergence has started to occur and it is becoming increasingly difficult to tell products apart. This is especially true of the electronics market, white goods and the automobile industry. Take a ride blind-folded (as a passenger hopefully!) in a top of the range Audi and then into a top of the range Skoda and you would be hard pressed to tell the difference from the drive alone. Try this ten years ago and you would probably have noticed the difference!

The result of this product convergence is that emphasis is now increasingly placed on the intangible, abstract values of brands. This in turn allows certain manufacturers or brand owners to command a premium price for the brand. As product commoditisation has increased, stakeholder perceptions have become more important as a source of differentiation.

Economies of scale

Economies of scale refer to those factors that tend to reduce the average cost of producing a product, when the size and scale of an organization tends to increase. Economies of scale are moving away from manufacturing to communication. Owing to improvements in manufacturing technology, it is much easier and more cost-effective to produce a new product than it was twenty years ago. With just-in-time production and digital technologies, manufacturers have a much greater control over their production costs, which in turn is passed down through the supply-chain.

13 The Soul of the New Consumer, by David Lewis, Nicholas Brealey, 2000

The real expense in branding is incurred in concept testing, market research, brand identity formation, and finally the process of communicating the identity in a highly competitive environment. With a well constructed brand identity, the brand should help communicate itself, thereby using the economies of scale to its benefit.[14]

Brands have an effect on both demand and supply curves, often shifting the demand curve downwards because of economies of scale achieved through higher sales volumes.

Brands vaccinate against future problems

A strong brand identity and reputation can insulate you against potential future problems and crisis that might affect your product or service. If you have a weak brand, following a crisis, that brand may collapse and have its market share destroyed within months if not weeks.

Brands represent the best vehicles for delivery meaning

Marks to signify ownership are certainly not a recent concept. In Egypt, tombstones dating back 3000 BC depict cattle with brands on their backs.[15]

However, most symbols and trade-marks originate from medieval times when signs were used to indicate ownership and origin. From this evidence, it could be argued that one reason why brands are so universally successful in the face of competition is that they represent the best way to protect your interest and communicate your origin.

In terms of modern exchange and trade, brands offer both legal protection and act as bundles of meaning. For example, they help reduce anxiety in purchasing decisions, secure trust, and often reflect or evoke aspirations within consumers. The psychological and emotional aspects of brands cannot be underestimated. Brands represent a short-cut to a promise that will make us secure in the quality and expectation of use.

Brands also tap into many areas of human desires and fears, which can be verified from the study of psychographics or life-style studies. The self-image concept is important in branding, with many brands using and exploiting the various dimensions of self (real, ideal, self-esteem, fantasy), in which, for example, the cosmetic industry is particularly skilled. For further details on psychographics and consumer behaviour consult Jim Blythe's book, *Consumer Behaviour*.[16]

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14 The concept of economies of scale and branding is developed in Torsten Nilson's excellent book, Competitive Branding, Wiley, 1998

15 Marks of Excellence – the history and taxonomy of trademarks, by Per Mollerup, Phaidon, 1997

16 The Essence of Consumer Behaviour, by Jim Blythe, FT Prentice Hall, 1997

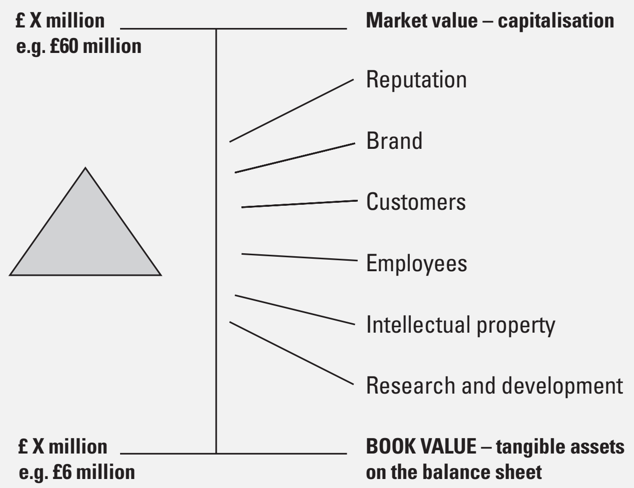
Many successful brands have assimilated the art of story-telling into their brands. Many of us are familiar with stories behind the history of brands such as Coke, Apple and Amazon, and brands such as Coco Chanel and Ralph Lauren used story-telling as a way of communicating their brand integrity. Developing some form of corporate memory with which consumers can identify is a useful brand strategy. Take Nike; a visit to their website reveals the story of their legendary coach Bill Bowerman, a track and field coach and co-founder of Nike, upon whom Nike bases its mission.

Although brands are highly successful, an interesting question to ask is who really 'owns' the brand – corporations or consumers? After all, corporate reputation is a construct only in the mind of the consumer. The lessons learned by Coke when they introduced New Coke in the early 1980s reflect the power consumers have over brands, causing in this case the swift re-introduction of Classic Coke.

Brands represent financial muscle

As intangibles, brands drive investment. The difference between book and market capitalisation values of many large corporations is due in part to the power of the brand. Intangible equity is now a serious component of any brand's financial valuation, irrespective of the method of evaluation. According to Interbrand[17] brands as assets can make up as much as 70% of the total corporate value. This intangible value is reflected in the significant differences appearing between book and market values of many brands (Figure 5). For example, in 1989, Ford purchased Jaguar for $2.5 billion, yet the book value was $0.4 billion.

17 www.Interbrand.com



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It is important to note that although the above intangibles involve a significant contribution to market value, other factors are also critically important. These include:

- Macro economic factors
- P/E and other financial reports
- Shareholder sentiment
- Market volatility

Figure 5: The contribution of intangibles and intellectual capital to the market values of corporations

Additional benefits of brands include:

- The building of brand loyalty and market share.
- Easier introduction of new products: sub-brands and extensions.
- Brands can cause change in the balance of power between different parts of a sector.
- Brands represent defensible competitive positions and can transform markets.