

*doc. ing. Miloslava Chovancová, CSc.
Faculty of Management and Economics, Tomas Bata University in Zli
Wyższa Szkoła Humanitas w Sosnowcu*

BUILDING A STRONG BRAND TO SUPPORT COMPANY COMPETITIVENESS

Abstract: The objective of this paper is to give a view on the traditional concept of brand equity, and customer based brand equity framework, as well as, their theoretical background, to support the strong brand by providing the marketing implications and suggestions in the process of brand strategy development; to build the strong brand is a key element of profitable businesses with long-term sustainability. There are pointed the marketing strategies of strong brands. Additionally, marketing strategy for high competitive markets and consumers' behavior, with the special focus to the brands of Czech origins and their problems in the markets.

Key words: strong brand, company competitiveness, brand equity, brand loyalty, customer-based brand equity.

Introduction

Building the successful brand is the most important issue of marketing management and strategy. When a company creates strong brand it attracts customer preference and company is more protected against a competition effort. Strong brands obtain good prizes and large market shares through its strong brand management initiatives, and company can plan a growth through the penetration of new markets. In business, having a strong brand can ensure a company's long-term success; companies with portfolios of strong brands create value for the company competitiveness in the market.

1. Brand defined

A brand represents the adding of value to a product; it combines physical and psychological elements. The physical aspect creates the linkage between the brand name and the enterprise or its products, differentiating them from other enterprises or products. The psychological aspect of a brand constitutes the maintenance of uniformity in terms of communications, guarantees and behavior, as well as consistency and conformity to particular requirements.

A brand is represented by branding, which allows the customer to easily identify a product using an identity, which sometimes is formalized in a corporate identity document. A brand is a name, term, design, symbol or any other feature that identifies one sellers good or service as distinct from those of other sellers or

competitors¹¹. Brand is more than just names and logos. The identity of a brand needs to be based on a unique idea and told through a compelling story¹². It needs to connect with potential customers and also form positive emotional bonds among them. The strength of some world known brands enables them to charge a significant price premium. Therefore the brand power is reflected in higher firm valuation¹³.

Brands increase the value of products and services by differentiating them from the competition, creating positive mental associations and forming emotional relationships with the customer¹⁴. Successful branding focuses on the company brand values which should be obvious from the promotional materials.

2. Brand functions

Brand enables buyers to identify the source or manufacturer of a product. As indicated by Zhang and Sood¹⁵ consumers recognize a brand and activate their knowledge about it. They further indicated that buyers form rational expectations about the functional and other benefits of a brand as a result of their knowledge of the quality and some specific characteristics. Brands reduce the consumer's (subjective) risk of making an error when purchasing¹⁶. Branding enables buyers to lower the information costs that arise from assessing alternatives from a larger range of products¹⁷. Branding offers to consumers an important signal of the quality of products in advance, hence reducing the perceived risk. The brand provides a guarantee of trust in the performance of a product. It also guarantees the continuous performance and advantages of the product.¹⁸ The brand increases the perception of product quality and lowers their variance. This assertion affirms the position that, if the brand serves as a source of reducing risk of purchasing then risk reduction is important determinant of consumers buying behaviour.

¹¹ American Marketing Association Branding Definition. [online]. Retrieved July 7, 2011 from <http://www.marketingpower.com/_layouts/dictionary.aspx?dLetter=B>.

¹² T. Greenwood, *The importance of brand strategy*. Retrieved July 14, 2011 from <<http://ezinearticles.com/?The-Importance-of-Brand-Strategy&id=764211>>.

¹³ C.J. Simon, M.W. Sullivan, *The Measurement and Determinants of Brand Equity: A Financial Approach*. "Marketing Science" 1993. 12 (Winter), 28-52.

¹⁴ T. Greenwood, *The importance of brand strategy*. Retrieved July 14, 2011 from <<http://ezinearticles.com/?The-Importance-of-Brand-Strategy&id=764211>>.

¹⁵ S. Zhang, S. Sood, *Deep and Surface Cues: Brand Extension Evaluations by Children and Adults*, "Journal of Consumer Research" 2002, 29 (June), 129-141.

¹⁶ J. N. Kapferer, *The New Strategic Brand Management: Creating and Sustaining Brand Equity Long Term*. 4th. ed. Koran Page, London, Philadelphia 2008.

¹⁷ T. Erdem, J. Swait, A. Valenzuela, *Brands as Signals: A Cross-Country Validation Study*, "Journal of Marketing" 2006, 70 (1), 34-49.

¹⁸ T. Erdem, and J. Swait, *Brand Equity as a Signalling Phenomenon*, "Journal of Consumer Psychology" 1998, 7 (2), 131-157.

3. Brand and company competitiveness

Today's competition in business forces companies to look for new sources of sustainable competitive advantage that are unique over time, intangible in nature and protective¹⁹.

Brands are valuable and *a major source of competitiveness* simply because they increase the inclination of individuals to purchase a particular product of a company rather than that of another company. For products that hold little meaning for the customer, this might be worth less, but in markets where the customer invests his or her ego in the purchase of a particular brand, that meaning can be priceless. Some brands will sell well just about anywhere they show up, because the customer associates them with unique qualities and it meets customer's values and expectations. In an increasingly intense global business arena, branding can serve two distinct functions²⁰:

- A brand ensures an entrenched customer base that is more difficult (and expensive) to displace.
- A brand can provide a company with a foot in the door when seeking to enter new geographic areas. The brand can be a useful offensive tool and defensive tool when you are competing with non-local companies.

The most important value in a brand - to support company competitiveness - is the value that it holds for customers. This value is very difficult and expensive to build but fragile and easy to destroy.

4. Branding and brand equity

Branding is of paramount importance to marketers today, particularly as organizations attempt to communicate the ever complex and intangible messages as part of brand management strategies.²¹ Branding as a concept has been around for many years now. From a customer's point of view, brands simplify shopping, aid in the processing of information about products, and makes them feel confident of their purchase decision. Managers have also become aware of the fact that the brand has become an important company asset, and focus is needed on the creation of brand equity²².

Brand equity is one of the most popular and potentially important marketing concepts which arose in the 1980s. The idea of Brand Equity makes a distinction

¹⁹ E. Delgado-Ballaster, J.L. Munuera-Aleman, *Does Brand trust matter to brand equity?*, "Journal of Product and Brand Management" 1999. 2005; Vol. 14, No. 3, pp.187-196.

²⁰ R.W. Bradford, *Understanding the Competitive Value of your Brand*. Centre for Simplified Strategic Planning, Inc., Retrieved June 14, 2011, from <http://www.strategyletter.com/CD0905/featured_article.php>.

²¹ S.M. Davis, *Brand Asset Management: Driving Profitable Growth through Your Brand*. Jossey-Bass A Wiley Company, San Francisco 2000.

²² R. Abratt, G. Bick, 2005, *Valuing Brands and Brand Equity: Methods and Processes*. [online] Retrieved July 29, 2011 from <<http://www.huizenga.nova.edu/jame/valuing.htm>>

between the value a brand has for customers/ consumers (i.e. *the actual added value of the brand*) and the value it has for the brand owner/ company (*brand equity*)²³:

- **Brand-Added Value:** extent to which a brand and related associations contribute to the customer's/consumer's valuation of the product as a whole.
- **Brand Equity:** the value of a brand for the brand owner/ company as expressed in financial, strategic and management benefits.²⁴

Brand equity generates value through:

- **Brand Loyalty:** reduce marketing costs; trade leverage; attracting new customers (create awareness and reassurance); time to respond to competitive threats
- **Brand Awareness:** anchor to which other, associations can be attached, familiarity liking, signal of substance/commitment; brand to be considered
- **Perceived Quality:** reason to buy, differentiate/position; price; channel member interest, extensions
- **Brand Associations:** help process; information; reason to buy; create positive attitude/feelings; extensions
- **Other Proprietary Brand Assets:** competitive advantage

Endings of traditional concept of Brand Equity:

- **Provides value to customers by enhancing customer's:** interpretations/processing of information; confidence in the purchase decision; use satisfaction
- **Provides value to firm by enhancing:** efficiency and effectiveness of marketing programs; brand loyalty; prices/margins; brand extensions; trade leverage; competitive advantage

Brand Equity Concept:

- the concept has been defined as number of different ways for number of different purposes
- no common viewpoint has emerged about how to conceptualize and measure brand equity
- serves as the bridge between what happened to the brand in the past and what should happen to the brand in the future.

5. Customers-based brand equity

Customer-based brand equity (CBBE) model incorporate recent theoretical advances and managerial practices in understanding and influencing consumer behavior. It helps answer the two most frequently asked questions²⁵:

²³ D.A. Aaker, *Managing Brand Equity: Capitalizing on the Value of a Brand Name*. The Free Press, New York 1991.

²⁴ K.L. Keller, *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*. Prentice-Hall International 1998.

²⁵ K.L. Keller, *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*. 3th Ed. Pearson Prentice Hall 2008, p. 692.

- *What makes a brand strong?*
- *How do you build a strong brand?*

CBBE model provides a unique point of view as to what brand equity is and how it should best be built, measured, and managed.

Brands that have been well engineered have also been heavily invested in creating both tangible and intangible worth.

What do different brands means to customers?

How does the brand knowledge of consumers affect their response to marketing activity?

The Four Steps for Building a Strong Brand

1. Establish the proper brand identity
2. Create the appropriate brand meaning
3. Elicit positive brand responses
4. Forge strong brand relationships with customers

The CBBE model looks at building a brand as a sequence of steps: These four steps represent a set of fundamental questions that customers ask:

1. Who are you? (Brand identification)
2. What are you? (Brand meaning)
3. What about you? What do I think or feel about you ? (Brand response)
4. What about you and me? What kind of association and how much of connection would I like to have with you ? (Brand relationship)

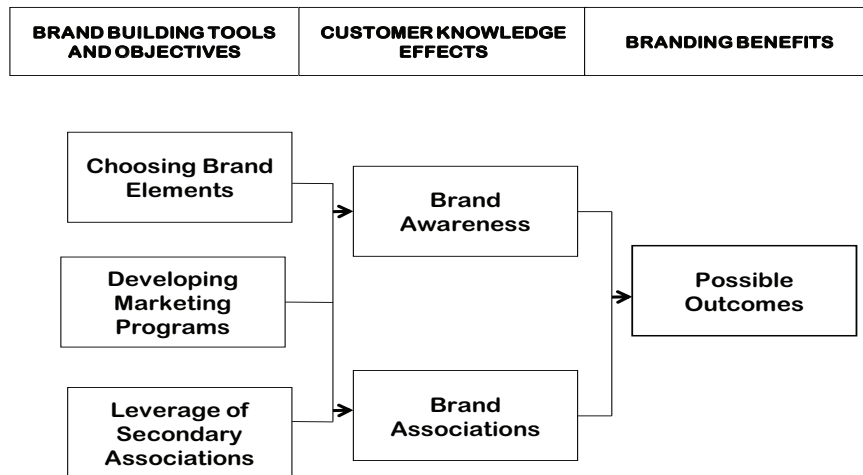


Figure 1. Customers – Based Brand Equity Framework
Source: Keller (2008)

Possible Outcomes of CBBE:

(Branding benefits of strong brands)

- Greater loyalty
- Less vulnerability to competitive marketing actions
- Less vulnerability to marketing crises
- Larger margins
- More inelastic consumer response to price increases
- More elastic consumer response to price decreases
- Greater trade cooperation support
- Increased marketing communication effectiveness
- Possible licencing opportunities
- Additional brand extension opportunities

6. Marketing advantages of strong brands

Marketing is not a battle of products, it's a battle of perceptions. The power of a brand lies in what resides in the minds of customers – what they learned, felt, seen, and heard about the brand as a result of their experiences over time. Create a strong brand and maximize brand equity, marketing managers must do following: Understand brand meaning and market appropriate products and services in an appropriate manner; properly position the brand; provide superior delivery of desired benefits; employ a full range of complementary brand elements, supporting marketing activities, and secondary associations; embrace integrated marketing communications and communicate with a consistent voice; measure consumer perceptions of value and develop a pricing strategy accordingly; establish credibility and appropriate brand personality and imagery; maintain innovation and relevance for the brand; strategically design and implement a brand hierarchy and brand portfolio; implement a brand equity management system to ensure that marketing actions properly reflect the brand equity concept²⁶.

6. Marketing strategy on the high competitive market**6.1. Situation on Brands of Czech Origin**

Many of the Czech companies realized during the last years how ruthless foreign competition can be. After the falling of the Iron Curtain and the emergence of the free market economy, Czech consumers preferred to buy various foreign products. Most of the famous Czech brands, which went away from the market during the 90's, are coming back to the shops. The renaissance to buying products with Czech brand names was caused by the disappointment of Czech consumers with the very low

²⁶ K.L. Keller, *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*. 3th Ed. Pearson Prentice Hall 2008. p. 692.

quality of foreign goods, especially those from Asia. Consumers realized that brands of Czech origin were of better quality.

The Czech brands still have space in the consumers' mind. Some very famous and traditional Czech brands survived the crises in 1929, but did not survive the financial crisis in 2008. These includes Bohemia Crystalex Trading, which previously produced 90% of glass in the Czech Republic, with roots from 1876; Carlsbad Porcelain, established in 1794 but currently has very serious operational problems; and producer of matches Solo Sušice in the Czech Republic had to transfer its production to the East.

The world does not know brands of Czech origin because Czech firms prefer to export under foreign names. For instance, the producer of small lorry AVIA Prague exports under the company of Ashok Leyland, which is the second biggest lorry producer in India. Exporting under a foreign brand name helps to increase sales in South America and Russia, because such small lorries do not perform well on the European market. The traditionally known Czech producer of keys and locks FAB sells its products like Ikon in Germany, Vachette in France, and under the brands of TrioVing, Ruko and Assa in Scandinavia. The beer producer Budweiser Budvar, located in the city of České Budějovice, sell beer in foreign market under the brand name Czechvar, because of legal issues. Similar strategies were chosen by Sporten Company which produces 200,000 ski and snowboards for Alpina, Asnes, Decathlon, Hagan, K2 and Rossignol²⁷. On the market in Poland global brands displace brands of Polish origin; by company management decisions company logos are partially modified in order to their innovative look²⁸.

6.2. Czech Consumers' Behavior

The counterfeiting of famous branded products is big business. International Chamber of Commerce estimates that the share of product piracy in the world's economy totals about \$600 billion a year. The increasing number of illegal copies being seized by customs officials on the EU's outer borders demonstrates that the business with counterfeit products is booming. The European Commission is particularly concerned about counterfeit medications and safety-relevant products like replacement automotive parts²⁹.

Although consumers consider buying counterfeit products as socially acceptable, many companies see the phenomena as a serious threat. Most commonly imitated goods are clothes, cigarettes and portable audiovisual players are purchased

²⁷ V. Bednář, *Svět nezná české značky, firmy raději exportují pod cizími názvy*. Retrieved July 29, 2011 from <http://byznys.lidovky.cz/svet-nezna-ceske-znacky-firmy-radeji-exportuji-pod-cizimi-nazvy-p88-/firmy-trhy.asp?c=A101004_122252_firmy-trhy_kik>

²⁸ A. Blaszcak, D. Walewska, *Globalne brandy wypychają polskie marki*, „Rzeczpospolita”, 19 maja 2011.

²⁹ J. Birnthal, *Sights set on product pirates*.

<<http://www.tuev-sued.de/uploads/images/1305272300662560790797/tsj-11-1-engl.pdf>>.

by Czech consumers, probably, because of their sensitivity to price. The average monthly salary in the Czech Republic is 22,321 CZE (Euro 893). But Czech consumers realize the health risk of counterfeit food products and that is the main reason for the development of the bio food market.

According to a research by the association of Czech Brand³⁰ in 2009; 77% of Czech consumers prefer domestic products or national brand. Czech consumers also like to try products of other brands.³¹ Such consumers focus on price before quality and brand image.³² If Czech consumers buy Czech product they buy it because of the price and long-term tradition. But if they buy goods from abroad, the brand preference is ahead of price and quality. But consumers have a preference for quality, especially when it has to do with food. The demand for bio food is increasing rapidly – but price still wins.

Marketing Strategy Problem

Many of the failed Czech brands were phenomenon in their era, but tradition and good quality product are not the only successful factors for a brand. The problem is with the Czech people's reluctance to engage in rigorous selling, and many companies are aware of this problem. To support the development of good marketing strategy for Czech brands, the Association of Czech Brand was established. The main objective of the Association of Czech Brands is to support and promote brands of Czech origin and advocate for the protection of intellectual property. However, consumers should expect the price of domestic branded products to increase because of higher marketing for bigger visualization on the market.

For management, it is important to note that marketing without a clear brand strategy is a chaotic, costly exercise that in essence is little more than shouting and showing off about the products and services. This does not provide any value for the customer who is mainly the target of the strategy development. In Czech Republic for instance, consumers are exposed to thousands of marketing messages every day through all the various channels of the communication mix. Hence, consumers have become largely immune to meaningless promotional messages, filtering them out and filing them in their mental recycle bins. Spending large sums of money on marketing communication does not guarantee brand equity. In order for the brand of a company to be competitive, brand managers must therefore ensure that, the branding message is precise, clear and targeted at the right consumer, and the visibility of the brand should

³⁰ *Sdružení České značky*. Retrieved October 28, 2011 from <<http://www.ceskeznacky.cz/profil.php>>.

³¹ M. Chovancová, E. S. Asamoah, CH. De Alvis Adambarage, M.A.K. Samarakoon, Y. Guo, *Brand as a Dominant Factor in Determining the Competitiveness of Firm*. Evidence from the Czech consumer market. In R. Springer, P. Chadraha, *Proceedings of the 18th Annual Conference on Marketing and Business Strategies for Central and Eastern Europe*. 1. Vienna, Austria : Institute for International Business Vienna University of Economics and Business, Austria, 2010. s. 61-85.

³² *Lidé preferují české značky a cenu*, „Hospodářské noviny“, 5/6/2009. Retrieved July 29, 2011 from <<http://www.ceskeznacky.cz/napsali-o-nas.php?ni=16>>.

be unambiguous. Managers must ensure that the brand is clear and easily identifiable in product categories.

Conclusions

In conclusion, it is emphatically clear that the concept of branding is indispensable to any business. Brand plays an important role when consumers are making purchasing decisions. Branding is a key element of building profitable businesses with long-term sustainability. Knowledge of the individual factors of brand equity, as well as, the application of the factors' conjoint effect, supports managers to develop successful brand strategy. If brand strategy is properly executed, it ensures the competitiveness of firms by increasing market share, gain consumer confidence, increase sales, add value to products and services and reduce marketing costs. In order for the products of a company to be competitive in the market, there is a need for brand building to be consistent, true to the organisation, embodied throughout their activities and consistent with the expectations of consumers. The strong brand should be the main focal point in the marketing and corporate strategy of companies as it provides a compelling platform for the competitiveness of companies. Also, based on the evaluation of the performance of indigenous Czech brands, it is important for managers to follow the very basic principle of promotion, thus, to give information on Czech brands to consumers abroad. There should be a development of a holistic marketing strategy for Czech brands to effectively inform customers both within the country and especially in foreign markets.

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