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Brand challenges

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THE challenges facing brand managers have multiplied in recent times. Brands are often the most valuable assets for companies ranging from Unilever to Nokia. Yet, they can lose their value overnight if not managed carefully.

Nothing underscores this fact more than this watershed event in the history of brand management: on April 2, 1993, which has come to be known in marketing circles as `Marlboro Friday,' Philip Morris announced it would slash the price of Marlboro cigarettes by 20 per cent in an attempt to compete with bargain brands that were eating into its market. The day Philip Morris announced its price cut, stock prices of other famous brands also nosedived: Heinz, Quaker Oats, Coca-Cola, Pepsi, Procter and Gamble and RJR Nabisco. Philip Morris' own stock took the worst beating. The pundits announced that not only was Marlboro dead, so were all brand names. These concerns seemed to be justified because the Marlboro Man, launched in 1954, was the longest-running ad campaign in history. If the legendary Marlboro Man could face such a crisis, what chance did other brands have?

The panic of Marlboro Friday indicated some dramatic shifts in consumer habits. These shifts have become more pronounced in the last few years. A study by advertising agency DDB found that the percentage of consumers between the ages of 20 and 29 who said they stuck to well-known brands fell from 66 per cent in 1975 to 59 per cent in 2000, and those in the 60-69 age-bracket from 86 per cent to 59 per cent. Thus both the young and the old seem to have become less brand-loyal. Many bargain-conscious shoppers have started to pay more attention to the value for money than to prestige. But that does not mean (as we shall see shortly) that price alone is the determining factor in the success of a brand.

To understand some of the intricacies which brand managers face today, a bit of history is in order. The concept of branding has evolved over time, though the fundamental principles have not changed much. In pre-industrial days, people knew exactly what they ate and wore and which suppliers were trustworthy. Once they moved to cities, they no longer did. A brand provided a guarantee of reliability and quality. Manufacturers had every incentive to maintain quality. A cake supplier, for example, ensured that each cake was as good as the previous one, because only then would people come back for more.

Trust continues to be the core attribute of any brand. The owners of brands have to work hard to retain that trust. If they make any moves that undermine this trust or seem to do so, they will face severe resistance from customers. The new Coke is a classic example. Customers felt cheated that the Coca-Cola company had changed the formulation of old Coke without consulting them.

While the fundamental principles of brand management may not have changed much over the years, launching new brands has become trickier. Again, a bit of history is in order. In the past, building a brand was rather simple. It required little more than an occasional advertisement on a few television or radio stations highlighting the product's superior features. Brands such as Coca-Cola, Kodak and Marlboro easily established themselves.

Over time, brand building has become much trickier. As manufacturing standards have risen, it has become harder for firms to differentiate their products on quality alone. This is particularly true of packaged goods such as food. Branded manufacturers are losing market share to retailers' own brands, which consumers have learned to trust.

Another problem for marketers is that consumers have become harder to reach. They are busier, more distracted and lead more complicated and less predictable lives. The traditional patterns of family life are also getting sharply eroded with the rise of dual income families. It is common to see husband and wife spending a lot of time outside home. Communicating with them and building a community of brand loyalists have become much more difficult.

Yet another complication with brand building today is that in many cases customers pay a premium not because of its functionality but because it represents a way of life. So when launching or repositioning a brand, companies have to understand the emotional needs as well as the functional ones. For example, Nike's `Just do it' campaign is an attempt not to sell shoes but personal achievement. Similarly, Nokia's distinctive lifestyle advertising relegates functionality to the background.

Maruti Udyog uses a lot of emotions in its advertising campaigns. Asian Paints strikes an emotional chord with the middle-class people through its ad campaigns. Cadbury's attempts to reposition its milk chocolates and target the adult segment have revolved around ad campaigns with plenty of emotions. In short, companies have to build a story around their service or product and try to turn an otherwise routine purchase into something more exciting. But selling a lifestyle requires a far greater understanding of human psychology. It is a much harder task than describing the functionality of a product.

Yet another factor which has made brand management more challenging is that brands give protesters far more power over companies than they would otherwise have. Nike had to revamp its whole supply chain after being accused of running sweatshops. Last year, Coke and Pepsi faced a major backlash in India following media reports about pesticide contamination. Anti-globalisation supporters, environmentalists and NGOs can use the power of the brand against companies by mobilising evidence of ill-treated workers and polluted rivers. The more companies promote the value of their brands, the more they will need to be perceived as ethically correct and socially responsible. Even a small mistake can trip them.

Despite all these challenges, money invested in brands is well invested. The successful brands generate handsome returns for the companies owning them. Which is why even hi-tech companies such as Microsoft and Oracle spend so much on advertising. At the end of the day, the truth is that people like brands. They not only simplify choices and guarantee quality, but also generate fun and interest. So marketers have no option but to keep going at it.

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