Just A Moment…
Business Commentary

Brand Value Creation?

by Leon A. Enriquez

What's the true value in a brand? Is branding important in the digital economy? Is it even necessary to have a brand today? Does a brand make a big difference in the virtual e-world?

If people like and trust a brand, then they are more likely to buy the product or service. And they are also willing to pay more because of the quality, reputation and goodwill that is associated with the brand – sometimes a lot more!

Is it any wonder then, that reputable companies invest a lot of effort in creating, nurturing and keeping a brand? In fact, branding like niching, is the central theme of the marketing initiative. The traditional commodity school of thought would typically describe the brand as an integral part of a product or service.

Shopping for a brand?

For instance, consider the shopping experience, and the research studies that have focused on such questions as: When, how and why the brand influences the user buying decision? This acute observation has revealed a great deal. The perception and awareness of the brand was often seen as the key differentiation. Branding was also central to the buyer behaviour school of thought.

The branding exercise has emerged to become just as important in the new economy due to the realisation that more and more of what we buy is immaterial, complex and continuous.

For example, how do we decide which software to buy? Or which mobile phone service agreement to subscribe to? Obviously, we see the dilemma immediately – we cannot open the product and inspect what's inside, nor can we peer into the future to see how the hand phone connection will be serviced. What happens? We place our faith in the most trusted brand!

It is not unusual to realise or recognise a central focus – branding is a managed phenomenon. Basically, it requires a skilled vendor to build a great brand. This is often achieved through a range of intensive brand creation and maintenance exercise. For example, through excellent brand leveraging, a company manages to brand a phenomenon that extends far beyond its own deliverables.

Co-branding works

When you buy a mobile phone in Singapore from your local service operators such as SingTel, MobileOne or StarHub what do you get? Typically, you select the handset that you like from the range of hardware offerings, e.g., Nokia, Alcatel, Siemens, Motorola, Philips, Samsung, and so on.

Principally, the direct association is first and foremost, through the handset of the brand of the handset manufacturer that we see and associate with rather than the brand of the service provider. This is a case where brand leveraging can be achieved through co-branding, joint branding or simply by placing your brand on a screen image, a sound stream, or a piece of hardware that you didn't make yourself.

Consider another example. When you buy a Windows-based PC, you probably notice the label "Intel Inside" pasted on the hardware. Put another way, Intel made the CPU chip but the company is co-branding the PC hardware box. In a similar way, Microsoft is co-branding with PC vendors and puts a "Microsoft Windows" label on the hardware as well.

Ultimately, success in branding is achieved when a company wins the association with the whole product category. Consider a simple illustration. When people think about a soft drink, the brand name that instantly comes to mind is "Coca-Cola." Or when you need a photocopy of a document, you think in terms of making a "Xerox" copy. Take another case of colour films for photography, and you immediately connect with the "Kodak" brand name.

Notable examples in the IT space include the following: for network computing servers, you think of Sun Microsystems; for office desktop software, you associate with Microsoft; for relational databases, you think of Oracle; and for portals, you remember the Yahoo! website. And the list includes many other well-known and esteemed brands that have gained market recognition because of the perceived quality and goodwill that each brand name signifies.

Yet, can a brand be defeated or replaced in the common mindset of popular opinion? Yes, a brand can be replaced by a better or more innovative model.

The noted management thought-leader Peter Drucker, wrote that in order to displace the top brand in the established space, a new brand must make a significant impact that differentiates it from the current popular brand. Known as Drucker's Law, it states that "A new innovation has to be at least 10 times better than what it replaced in order to overcome the sheer marketing muscle and production capability of existing producers."

Take a notable example. The "Fujifilm" brand of photo films have recently gained a substantial global following – by being the official film sponsor of many of the major international sporting events such as the Olympic Games, and so forth. This branding exercise is a threat to the Kodak name, and caused the Kodak company to aggressively re-focus on its brand name by bringing new, innovative products to market to keep up with the changing user needs and expectations.

Branding represents one aspect of the different value models for the new economy. Most of the successful companies are pursuing one or more of such initiatives. By using a mix of strategies, a typical company seeks to benefit from the combination of the Net Effect as well as minimal marginal costs.

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