CHAPTER 5:
DESIGNING MARKETING PROGRAMS TO BUILD BRAND EQUITY

Lecturer
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Overview

- How do marketing activities in general—and product, pricing, and distribution strategies in particular—build brand equity?
- How can marketers integrate these activities to enhance brand awareness, improve the brand image, elicit positive brand responses, and increase brand resonance?

New Perspectives on Marketing

- The strategy and tactics behind marketing programs have changed dramatically in recent years as firms have dealt with enormous shifts in their external marketing environments:
  - Digitalization and connectivity (through Internet, intranet, and mobile devices)
  - Disintermediation and reintermediation (via new middlemen of various sorts)
  - Customization and customerization (through tailored products and ingredients provided to customers to make products themselves)
  - Industry convergence (through the blurring of industry boundaries)

Implications for the Practice of Brand Management

- Marketers are increasingly abandoning the mass-market strategies that built brand powerhouses in the 1950s, 1960s, and 1970s to implement new approaches.
- Even marketers in staid, traditional industries are rethinking their practices and not doing business as usual.

Integrating Marketing Programs and Activities

- Creative and original thinking is necessary to create fresh new marketing programs that break through the noise in the marketplace to connect with customers.
- Marketers are increasingly trying a host of unconventional means of building brand equity.

Personalizing Marketing

- All of these approaches are a means to create deeper, richer, and more favorable brand associations.
- Relationship marketing has become a powerful brand-building force.
  - May creatively create unique associations
  - May reinforce brand imagery and feelings
- Nevertheless, there is still a need for the control and predictability of traditional marketing activities.
- Models of brand equity can help to provide direction and focus to the marketing programs.

Personalizing Marketing Concepts

- Experiential marketing
- One-to-one marketing
- Permission marketing

Reconciling the New Marketing Approaches

- One-to-one, permission, and experiential marketing are all potentially effective means of getting consumers more actively involved with a brand.

Experiential Marketing

- Focuses on customer experience
- Focuses on the consumption situation
- Views customers as rational and emotional elements
- Uses electric methods and tools

One-to-One Marketing: Competitive Rationale

- Consumers help to add value by providing information.
- Firm adds value by generating rewarding experiences with consumers.
  - Creates switching costs for consumers
  - Reduces transaction costs for consumers
  - Maximizes utility for consumers

One-to-One Marketing: Consumer Differentiation

- Treat different consumers differently
  - Different needs
  - Different values to firm
    - Current
    - Future (lifetime value)
- Devote more marketing effort on most valuable consumers (and customers)

One-to-One Marketing: Five Key Steps

- *Identify* consumers, individually and addressably
- *Differentiate* them by value and needs
- *Interact* with them more cost-efficiently and effectively
- *Customize* some aspect of the firm’s behavior
- *Brand* the relationship

Permission Marketing (Seth Godin)

- “Encourages consumers to participate in a long-term interactive marketing campaign in which they are rewarded in some way for paying attention to increasingly relevant messages.”
  - Anticipated
  - Personal
  - Relevant
- Permission marketing can be contrasted to interruption marketing.

Five Steps in Permission Marketing

1. Offer the prospect an incentive to volunteer.
2. Offer the interested prospect a curriculum over time, teaching consumers about the product.
3. Reinforce the incentive to guarantee that prospect maintains the permission.
4. Offer additional incentives to get more permission from the consumer.
5. Over time, leverage the permission to change consumer behavior toward profits.

Integrating the Brand Into Supporting Marketing Programs

Supporting marketing mix should be designed to enhance awareness and establish desired brand image.

- Product strategy
- Pricing strategy
- Channel strategy

Product Strategy

- Perceived quality and value
  - Brand intangibles: Augmented aspects
  - Total quality management and return on quality
  - Value chain
- Relationship marketing
  - Mass customization
  - Aftermarketing
    - User manuals
    - Customer service programs
    - Loyalty programs

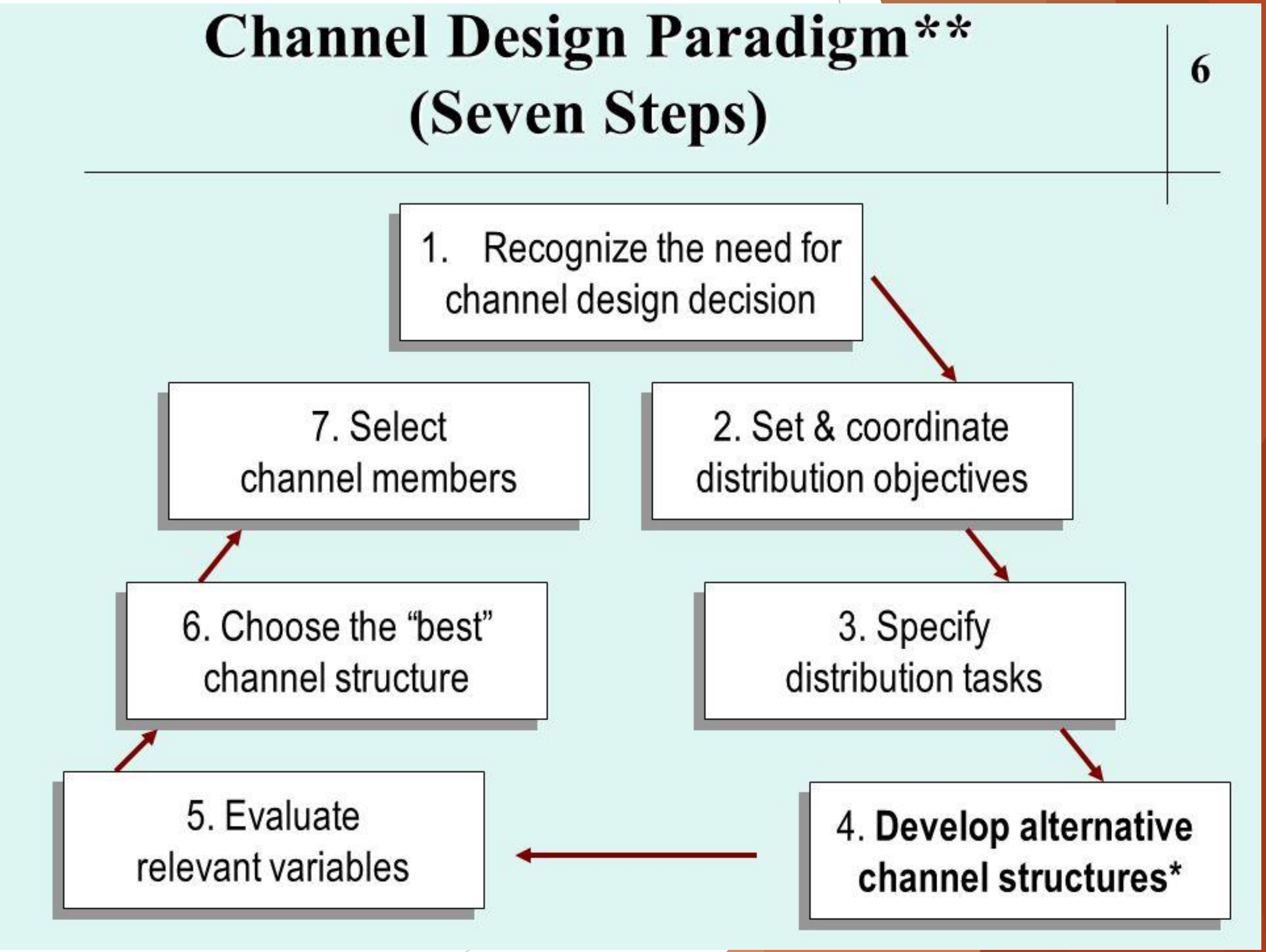
"Err... Excuse me Sir, you've forgotten the user manual for your super mini mobile.

Pricing Strategy

- Price premiums are among the most important brand equity benefits of building a strong brand.
- Consumer price perceptions
  - Consumers often rank brands according to price tiers in a category.
- Setting prices to build brand equity
  - Value pricing
  - Price segmentation
  - Everyday low pricing

Channel Strategy

- The manner by which a product is sold or distributed can have a profound impact on the resulting equity and ultimate sales success of a brand.
- Channel strategy includes the design and management of intermediaries such as wholesalers, distributors, brokers, and retailers.



Channel Design

- Direct channels
  - Selling through personal contacts from the company to prospective customers by mail, phone, electronic means, in-person visits, and so forth
- Indirect channels
  - Selling through third-party intermediaries such as agents or broker representatives, wholesalers or distributors, and retailers or dealers
  - Push and pull strategies
- Web strategies

Push and Pull Strategies

- By devoting marketing efforts to the end consumer, a manufacturer is said to employ a *pull strategy*.
- Alternatively, marketers can devote their selling efforts to the channel members themselves, providing direct incentives for them to stock and sell products to the end consumer. This approach is called a *push strategy*.

Channel Support

- Two such partnership strategies are *retail segmentation activities* and *cooperative advertising programs*.
- **Retail segmentation**
  - Retailers are “customers” too
- **Cooperative advertising**
  - A manufacturer pays for a portion of the advertising that a retailer runs to promote the manufacturer’s product and its availability in the retailer’s place of business.

Web Strategies

- Advantage of having both a physical “brick and mortar” channel and a virtual, online retail channel
- The Boston Consulting Group concluded that multichannel retailers were able to acquire customers at half the cost of Internet-only retailers, citing a number of advantages for the multichannel retailers.