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THE ROLE OF NEW BRAND IN COMPANY PRODUCT STRATEGY

Introduction

Any company marketing operations are based on a product that should be adequately defined, called, described and packed so that it can be offered to potential clients. B.Żurawik stresses the fact that “marketing appears when consumers decide to meet their needs or desires by means of exchange, i.e. by offering something in return for a product supplied”¹. “Defining” a product plays a crucial role as it leads to connecting consumers’ needs and desires with particular objects. However, it is not only that, as – according to B.Żurawik and W.Żurawik – “the marketing concept of a product includes ideas, services, commodities or the combination of all these elements. A product may be also a town, e.g. Sopot, as a place to buy a building site or where to spend holidays”². Thus, a product is anything that can be offered on the market, something that is worth attention, purchasing or consumption and may meet the needs and requirements that emerge on the market”³.

1. Research issue

The aim of the article is to analyze the role of a new brand in the company product strategy and the article’s main research issue is the question regarding the role of branding in company strategy.

The thesis of the article below is that branding and adequate brand positioning is a long-term process that is complex and requires substantial experience on the part of brand managers.

¹ W. Żurawik, *Marketing. Podstawy i kontrowersje*, UG, Gdańsk 2005, p. 23.

² B. Żurawik, W. Żurawik, *Zarządzanie marketingowe*, UG, Gdańsk 2004, p. 49.

³ B. Żurawik, W. Żurawik, *Zarządzanie marketingowe*, UG, Gdańsk 2004, p. 49.

2. The role of brand

Every product must be defined by a name and this is a significant issue as regards its existence on the market. The naming is not only important from the point of view of the product's features but it also indicates the manufacturer, the fact that it belongs to a wider family of goods, etc. The literature on the subject states that branding became extremely widespread with the development of market economy.⁴ There is no doubt that in the era of the abundance of products that are frequently similar as regards the price or quality, brand is the factor that may attract consumer's attention since it plays several functions, among which the most significant is its informative role and the ability to arouse quick associations. As a result, a brand constitutes an extremely informative message that often influences the fate of products. It should be emphasized here that the significance of brand increases due to the fact that a product category is widely interpreted and is not limited merely to material goods but it also includes various concepts, services and their combinations. Thus, it can be concluded that the basic function of brand is to distinguish particular products from other products on the market.

In the marketing literature the term brand refers to the name, term, symbol, a pattern or their combination that is developed or devised in order to identify the goods or services offered by a salesman or a group of salespeople and to differentiate them from those of their competitors.⁵ However, contemporary marketing requires a wider look at the concept of brand from the point of view of the role it plays. That is why brand is more frequently defined as a combination of a physical object, brand name, packaging, advertising and the accompanying operations that regard the distribution and price; it is a combination that differentiates the offer of a particular company from its competitors and provides the consumer with distinctive functional and symbolic features. As a result, according to J.Kall, brand creates a loyal group of buyers and facilitates the achievement of a top position on the market.⁶ A *brand name* is a term that is a synonym to high quality and positive associations and consumers' trust when buying a product labeled with a particular brand. This is directly connected with company promotional operations and with the positive experience of customer's previous contacts with the product.

⁴ I. Madej, *Wokół marki – dobra i zła praktyka marketingowa*, Wydawnictwo Naukowe Wyższej Szkoły Kupieckiej, Łódź 2005, p. 149

⁵ J. Kall, *Silna marka*, PWE, Warszawa 2007, p. 11

⁶ Ibid. p. 12

According to L. de Cherantony i F. Dall’Olmo, the essence of a contemporary brand is its ability to create positive relations with customers which will result in maintaining or increasing the sales of brand’s products.⁷ In their approach, the authors emphasize strongly the informative aspect that is assigned to a brand as it can be treated as a message to a target group or a dialogue with it. The aim of the message is to create a specific emotional relationship that is based on consumers’ certainty and trust that the product will meet their expectations and will guarantee their satisfaction in the future. E.Rudawska follows their opinion and says that “brand is an element that carries some message and positive associations and provides customers with additional values”.⁸

According to D.R.Stokes, brands that are treated as a relationship between a consumer and a product express consumers’ lifestyles and their emotional aspirations⁹. He suggests another aspect of the communicative function of a brand: it informs the environment of a consumer who buys particular brand products about his/her habits, personal features, attitudes, consumption models, etc. It is brands that have the automatic power to position consumers in the social structure without the need to analyse their actual opinions, statements or behaviour. In other words, customers communicate with the environment through a particular structure of products consumed although typical showing-off behaviour cannot be excluded here.

H.Szulce and K.Janiszevska offer a more elaborate definition of brand according to which “a brand is a legally protected instrument to differentiate from competitors through an identification system that creates relationships with customers by means of its unique features that combine functional and additional values. Consumers consider it a guarantee of constant quality and use it to simplify purchase decision making and to manifest their personalities and attitudes. The loyalty to a brand is the most desirable effect of the relationship that is created between consumers and the brand”.¹⁰ The authors emphasize the fact that the definition considers the evolutionary character of the concept of brand by referring to the original meaning of identification and differentiation and it also reflects the contemporary views on brand by emphasizing the role of its unique features and referring to the classic models of additional values that are offered by a brand.

⁷ J. Marconi, *Marketing marki. W jaki sposób tworzyć, zarządzać i rozszerzać wartość marki*, K.E. Liber, Warszawa 2007, p. 45.

⁸ E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie marketingowe*, PWE, Warszawa 2004, p.149.

⁹ H. Pringle, W. Gordon, *Zarządzanie marką*, Rebis, Warszawa 2008, p. 88

¹⁰ H. Szulce, K. Janiszevska, *Zarządzanie marką*, UE, Poznań 2006, pp. 14-15

For the sake of the article, the author accepted the definition given by Ph.Kotler, a marketing authority. He defines brand as a “name, term, sign symbol or a combination of these that is used to identify the goods or services offered by a seller or a group of sellers and to distinguish them from their competitors. Brand actually is a seller’s promise to deliver continuously a specific set of features, benefits and services to buyers.¹¹

3. The role of brand in company marketing operations

Undoubtedly, brand is important from the point of view of both the owner of a particular brand and its consumer. Despite the fact that adequate promotion of a valuable brand is related with substantial financial costs and the work of highly qualified managing staff, brand provides the company with measurable benefits. According to E.Rudawska, on the one hand brand helps identify marketing operations of a particular company, it helps with the promotion of the company and makes customers aware of its existence, facilitates the maintenance of competitive advantage and consequently it frequently makes customers pay a higher price for a brand product. On the other hand, brand helps distinguish the products and advertising operations of a particular company and protects consumers by providing a constant quality of a particular product. Clients believe that brand is a kind of warranty¹². That last feature assigned to brand by the author gains in significance particularly in the case of products that involve substantial expenditure and the clients cannot afford an unjustified purchase. The feeling of customers is that the warranty function of a brand protects them against excessive purchase.

The mentioned above evolutionary significance of brand in marketing operations is reflected in the increasingly more frequent perception of brand as an area of marketing that is separated from a product, while traditionally a brand - among product’s classically perceived features - was considered a secondary component.¹³

However, there is currently a clear change in how brand is perceived. It is considered a feature that is completely separate from a product and at the same time it constitutes a marketing instrument that is gaining in importance as regards effective development of marketing strategy. Briefness is an obvious advantage of a brand which also has the capability to pass a significant amount of information by inciting adequate associations. Obviously, in order to

¹¹ Ph. Kotler, *Marketing. Analiza, planowanie, wdrażanie i kontrola*, GEBETHNER i S-KA, Warszawa 2005, p. 410

¹² E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie marketingowe...op.cit.*, p. 148

¹³ H. Mruk, I.P. Rutkowski, *Strategia produktu*, PWE, Warszawa 2008, p. 20

achieve such an effect various operations must be performed that shape the brand and the related product image in consumers' minds in line with the assumptions of the manufacturer (distributor or a salesman).¹⁴

The increase in the significance of brand in company marketing operations is reflected by the development of brand management and the appearance of separate positions of brand managers in organizational structures. The responsibility of brand managers is to plan and implement the concepts of brand strategy with the consideration of the basic functions that are played by brands. When discussing the issue, J.Kall points particularly at the following brand functions:¹⁵

- brand is a guarantee of higher sales profitability – it is estimated that the average profitability of a market leader is approx. 20%, while brand No.2 is as little as 5% ,
- it decreases the demand price elasticity – customers are willing to pay a much higher price for products with a well known brand name and are not very sensitive to possible price rises; on the average, products with well known brand names are approx. 30-45% more expensive than the same no-brand products;¹⁶
- it facilitates the extension of a product line – it is much easier, cheaper and less risky to launch new types of products under a well -known brand name,
- it protects manufacturers against promotional operations of competitors – customers who are loyal to a particular brand become insensitive to such operations,
- it helps the brand owner to negotiate the terms of sales with the agents,
- a highly valued brand helps extend product life cycle,
- in the case of strong brands, customers can forget about minor flaws.

Ph.Kotler divides brands into deep and shallow ones and says that it should be the goal of companies to receive a deep brand status i.e. to develop a set of deep meanings, which is associated with a strong presence of their products on the market.¹⁷

One of the factors that influences the change in the perception of brand is the technical simplicity to manufacture and adopt even the most complex products.¹⁸ Imitating products is a widespread practice but the use of brand is a sphere of activity that is increasingly regulated, which is reflected by – among other things – the ban to apply brands in a misleading way. Thus,

¹⁴ E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie marketingowe...op.cit.*, p. 148

¹⁵ J. Kall, *Silna...op. cit.*, pp. 62-71.

¹⁶ H. Mruk, *Strategie marketingowe*, UE, Poznań 2006, p. 121.

¹⁷ Ph. Kotler, *Marketing...op. cit.*, p. 411

¹⁸ E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie marketingowe...op.cit.*, p. 150.

brand is protected equally to technical patents that are crucial as regards technological advantage.

At present, brand names are the elements that make it possible to distinguish products that are physically identical. According to M.McDonald, together with the price and image differentiation of products, one can observe the development of market segments on which the main role is not played by products in a physical sense but by brands. The basis for the price differentiation of technically identical products are not the manufacturing costs but the brand names assigned to them. Customers accept the differences in prices because brand value indicates the certainty of quality. Less-known brands have to resort to a devastating price war and the search for savings usually affects product quality. Consumers look for values that will indicate the warranty of quality and, consequently, the usefulness of the purchased products, and that is effectively provided by a product brand. By means of an adequate brand strategy, the manufacturer aims at developing his positive market image.

The above considerations lead to the conclusion that at present brand plays a superior role in relation to a product in its traditional physical sense, and this is the result of the fact that branding a product has a definite impact on the success or the lack of success of a product on the market.

The growing significance of brand in company marketing operations is reflected in its three basic functions: i.e. identification, guarantee and promotion. It should be emphasized that each of the functions involves a particular amount of information which is transferred to consumers by developing unequivocal associations with the product brand.

According to M.K. Witek-Hajduk, the identification function is one of the fundamental and original functions of a brand. It makes it possible for a potential buyer to identify a brand product and to differentiate it from other competitive and substitute products.¹⁹ The identification function can be fulfilled when a particular brand is given a name, symbols or signs that are typical for it and proprietary, which emphasizes its uniqueness. It should be added that brands that are highly popular can be distinguished by appropriate colours or only a symbol. For example, Coca-Cola – which in many lists is considered to be the most recognizable global brand – can be successfully promoted only by its graphic symbol which is easily identified in the whole world.²⁰

¹⁹ M.K. Witek-Hajduk, *Zarządzanie marką*, DIFIN, Warszawa 2009, p. 31.

²⁰ E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie marketingowe...op.cit.*, pp. 150-151.

The guarantee function is related to the warranty of constant quality which is expected by consumers buying a brand product²¹ as it is assumed that such a product should have a constant quality that results from brand standardization. M.K. Witek-Hajduk says that the guarantee function of a brand is particularly important to consumers who buy a product again since they always expect the same level of satisfaction from brand products.²² Thus, it can be concluded that the guarantee function plays an important role in the development of relationships that lead to brand loyalty. It is the most expected effect of marketing of present-day companies to reach brand loyalty as it guarantees the maintenance of a strong position on the market.²³

Brand strategy belongs to a wider category of product strategies. I.Penc-Pietrzak points out to the fact that product, from which the designing of any marketing strategy should be started, is the most important element of marketing-mix.²⁴ The term *product* may refer both to material goods, services or ideas, i.e. the know-how, which means it may be anything that can be subject to market exchange. The point is that the product should be attractive to customers and its purchase should provide them with satisfaction and benefits related to the ownership or consumption. However, it should be emphasized once again that such emotions do not only concern the physical features of products but also the symbolic values that are closely related to their brand. In other words, when managing a product, one should consider the brand as a factor that involves a set of additional, immaterial values that are significant to consumers. The role of such elements is increasing, which results from the intensive measures taken by producers and agents who wish to distinguish their products from the competitive ones and emphasize the values that are added to common goods and services.

It should be emphasized that product management - as a crucial element of marketing management - should aim at giving consumers an adequate level of satisfaction and providing a profit and a credible market image to the company. Marketing management should focus on the following most significant issues: new product development, product management in different phases of the product life cycle, positioning of the product and service on the market, product and market strategies, product range development and strategies concerning product brands.²⁵ In each of the above listed areas the company must make decisions that have a long

²¹ H. Szulce, K. Janiszewska, *Zarządzanie...*op. cit., p. 18.

²² M.K. Witek-Hajduk, *Zarządzanie...*op. cit., p. 32.

²³ E. Rudawska, *Lojalność klientów*, PWE, Warszawa 2005, pp. 14-15.

²⁴ Ibid. p. 88.

²⁵ M. Łuczak, *Polityka...*op. cit., pp. 122-123.

term impact on achieving a market success. The long-term horizon is the domain of strategic management and the decisions regarding a brand belong by nature to decisions that have to be analysed in longer periods of time as the choice of a brand is decisive as regards – among other things – the promotional operations that should be started before the launch of a product.

When choosing adequate strategies, the majority of companies aim at developing their market potentials. By the development one can mean the increase in sales, the market, the profits or the market share. These are the objectives that motivate all company employees. The development and expansion of a company are necessary to stay on the market and to face the competitors. The development of a company may not only be achieved by the selection and implementation of appropriate strategies against the competitors but also by the stimulation of the demand for the products offered. It is the essence of a product and market strategy to select purposefully and knowingly a set of operations related to company products and its markets that will ensure the achievement of the targets by a successful stimulation of the demand.²⁶ Such operations should mainly focus on:²⁷

- the products offered and the changes of their features,
- the search for adequate market segments,
- the change or intensification of other operations and marketing instruments that support products in market stimulation.

Decisions that are essential as regards a brand concern the positioning of products on the market. On the whole, the issue consists in the determination of a desired product image and of the image of the company on the market and the creation of these images in clients' minds. Every consumer has some idea of products or services as regards their functional features, quality, after-sales service and the prestige involving the ownership. The ideas are encoded in the associations with the product brand. To some degree the company may influence these ideas, i.e. the ways in which consumers perceive a given product against the competitive ones. Thus, the objective of positioning is to place a product in the most advantageous position on the market so that it can be distinguished from the products offered by competitors. If it is considered attractive and unique, the company will be able to set higher prices and consequently to obtain a higher profit margin on its sales. However, it is advisable to predict the reaction of the competitors.

²⁶ E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie...* op. cit., p. 94.

²⁷ W. Wrzosek, *Strategie marketingowe*, Oficyna Wydawnicza Szkoły Głównej Handlowej, Warszawa 2007, p. 105.

4. Branding

The creation of new brands is an important area in the development of brand strategy. The strategy of creating a new brand for a product is implemented when a company decides that none of the brands in its portfolio are adequate for the new product. It should be noted that such a strategy involves substantial costs and high risks. When deciding on launching a new brand on the market, the company should design it adequately and promote it not only among the final consumers but also among its sales agents. According to Ph.Kotler, an additional risk is involved with the operations concerning a completely new product category in the cases when the company has no experience and appropriate competence.²⁸

G.Urbaneck thinks that branding is in fact a process in which a bond is created between a consumer and a brand.²⁹ The creation of a product brand and its adequate positioning in consumers' minds is a long-term and complex process that requires substantial experience of company's brand managers. As a result, companies whose strategies are oriented towards new markets face a difficult marketing decision; the alternative is whether to expand by means of building or purchasing new brands. Building a brand means the creation of a new brand within the company's own organization, while purchasing brands means the development of the portfolio with brands that do not belong to the company, function on the market and have a definite position and value.

When managing a brand, a company may decide on the implementation of the brand expansion strategy. According to J.A.Quelch and D.Kenny, such a strategy is determined by the growing needs and requirements of consumers and the resulting emergence of additional segments and niches on the market, the development of new, flexible technologies that decrease the production costs of a varied product range, the aggressive policy of competitors, the new media that are focused on reaching narrow market segments and the possibility to extend the shelf space.³⁰

Brand extension is conducted within the horizontal and vertical strategies. The horizontal strategy aims at brand differentiation in relation to the distribution channel. The implementation costs of the horizontal strategy are comparatively insignificant from the point of view of a company since a brand product does not require substantial changes or

²⁸ Ibid. p. 419

²⁹ G. Urbaneck, *Zarządzanie...* op. cit., p. 201

³⁰ J. Kall, R. Kłeczek, A. Sagan, *Zarządzanie marką*, Oficyna Ekonomiczna, Kraków 2006, p. 105

modifications. The vertical strategy is focused on the differentiation of the brand among different consumer groups. It consists in adjusting the brand to the varied consumer needs and expectations.³¹

Building company's new brand involves high costs and is very difficult due to strong competition and the indispensable expenses on advertising and distribution. Because of the growing pressure of competitors, a successful launch of new brands is becoming increasingly difficult. It is almost impossible to copy the operations of well-established brand owners as due to the passing time and the activities of competitors, every subsequent company is functioning in a completely different reality.³²

A market success is reached by companies that are able to create new products and can attract the attention of customers through various elements of their marketing strategy. The maintenance of a well selling product is possible when, among other things, consumers associate positively the brand that is assigned to it. Planning and developing new products is necessary for companies to survive on competitive and dynamically growing markets. Every modification of a product that increases its competitiveness and attractiveness to buyers is considered a new product. It is crucial for every new product to offer the customers new benefits such as higher technological value, economic profits or aesthetic values.³³

The creation of new products is not an easy task. According to the results of research carried out by Booz Allen Hamilton consulting firm on the American market and given by J.J.Lambin, only 10% out of 13 thousand new semi-finished and consumption products are products that are completely new on the global market, 20% of the products were created as a result of the implementation of new technological lines and they were new only for the manufacturer but already known on the market, and the remaining 70% were considered new by the market but not by the producer. The latter group of products consisted of the supplementation of the existing product ranges (26%), the improved existing products (26%), the repositioned products (7%) and the unchanged products with lower production costs.³⁴

³¹ P. Doyle, *Marketing...*op. cit., pp. 183-184

³² G. Rosa, A. Smalec, *Marketing przyszłości, part I, Marka – trendy i kierunki rozwoju*, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin 2008, p. 271

³³ E. Rudawska, *Decyzje...*op. cit., p. 134

³⁴ J.J. Lambin, *Strategiczne zarządzanie marketingowe*, PWN, Warszawa 2007, p. 401.

The range and pace of dissemination may be decisive as regards the success of a new product and the promotion of a brand on the basis of its distinguishable features.³⁵ This is the reason why a marketing strategy concerning the launch of a new product should be addressed mainly to individuals with a positive attitude to market innovations and unknown brands. After the analysis of the new product acceptance process, one can distinguish the following five typical customer attitudes to innovations:³⁶

- 1) pioneers (innovators – 2.5%) – risk-oriented people who like novelties; it is important to attract them as it depends mainly on them whether the product will be accepted by other groups;
- 2) early adopters (13.5%) – they are frequently considered community leaders, who have numerous informal contacts and are respected in their environment; they buy earlier than the others but do it cautiously;
- 3) early majority (34%) – individuals who adopt new products before the so called average buyer; prior to the purchase decision, they check various information sources and analyse the expected benefits;
- 4) late majority (34%) – people who are considered sceptics; they adopt a new product only after the majority have made their purchase-decision;
- 5) laggards (16%) – a conservative group that is afraid of change and adopts innovations only after they become a sort of tradition.

Conclusions

In order to be successful, a new product has to be bought by pioneers and early adopters. When they accept it, the new product becomes an object of interest to the next group, i.e. to the early majority, then to the late majority and eventually to laggards. One of the factors that are decisive as regards the interest of particular groups is a regularly promoted brand that distinguishes a product against the competitive ones and communicates particular values to consumers. Its creation should be preceded by a thorough analysis of consumer expectations regarding product features that can partly be transferred to the brand.

³⁵ J. Kall, B. Sojkin, *Zarządzanie produktem – teoria, praktyka, perspektywy*, UE, Poznań 2008, p. 172.

³⁶ E. Rudawska, *Decyzje...*op. cit., p. 141.

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Abstract

Brand is a key concept in marketing. The operations of numerous companies are concentrated on brand, which is the indicator of their strength or weakness and the measure of the success or failure on the market. Brand is the most crucial factor that is taken into consideration when purchasing everyday products. The conclusion is obvious: brand products are purchased more willingly and consequently they contribute to the development of companies and the whole economy. Brands are the future for manufacturers and they guarantee their existence on the market that is full of foreign competitive brands.

A strong brand means a strong position of a company; it gives the power to fight against competitors and to develop. A successful promotion of a brand is beneficial to managers as a brand product secures the future of the company. Most of us associate a brand with a company logo, a manufacturer's sign that helps consumers distinguish one product from the other.



However, the reality is different. Brand is a cultural phenomenon that creates trends and is a symbol of civilization.