Managing Brands in the Long Run – Perils and Drivers of Success

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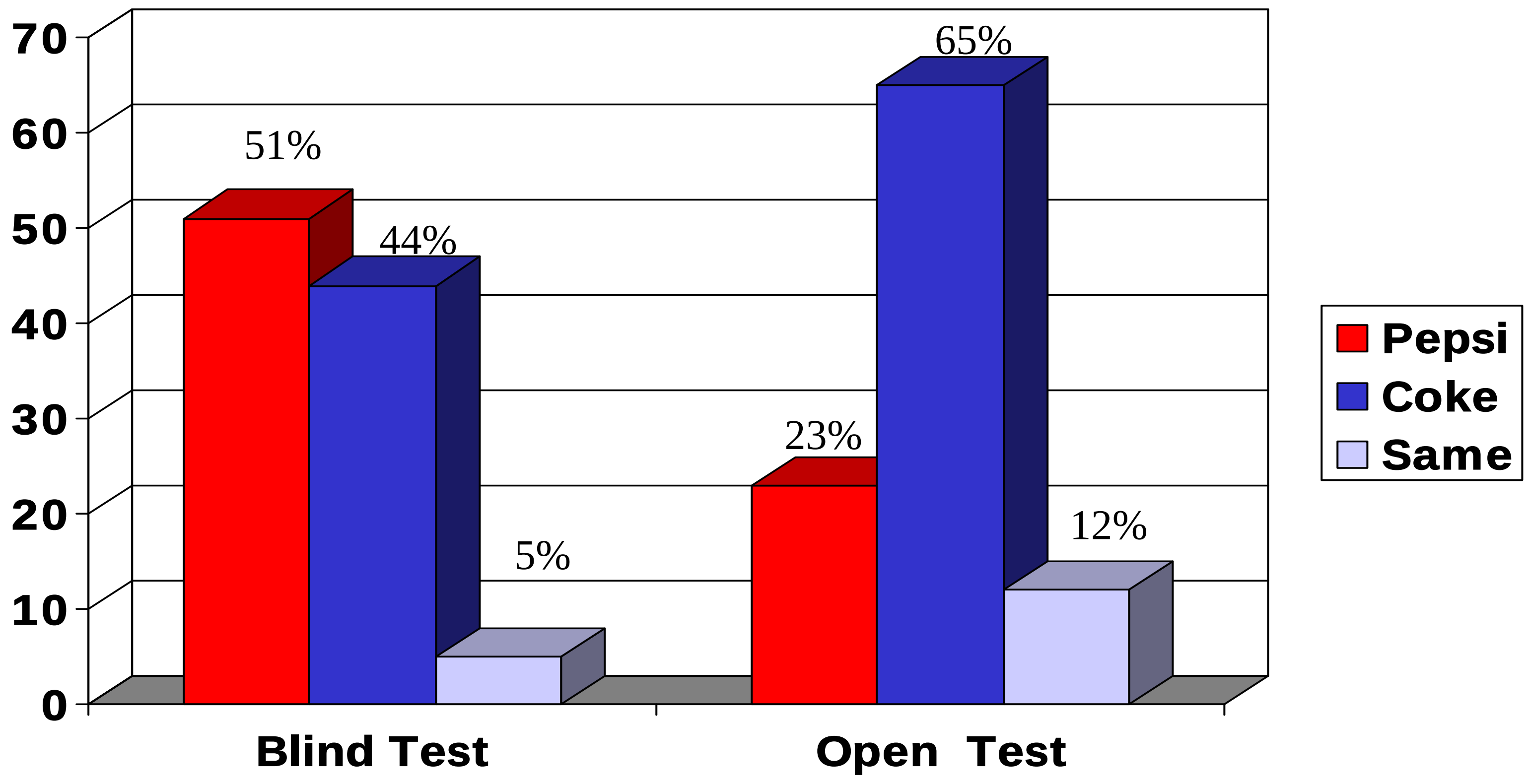
Overview

I. Relevance of brands
II. Failure of established brands - empirical insights
III. Causes of failure
IV. Measures to foster long term brand success
V. Example Sixt

Brand equity and market value

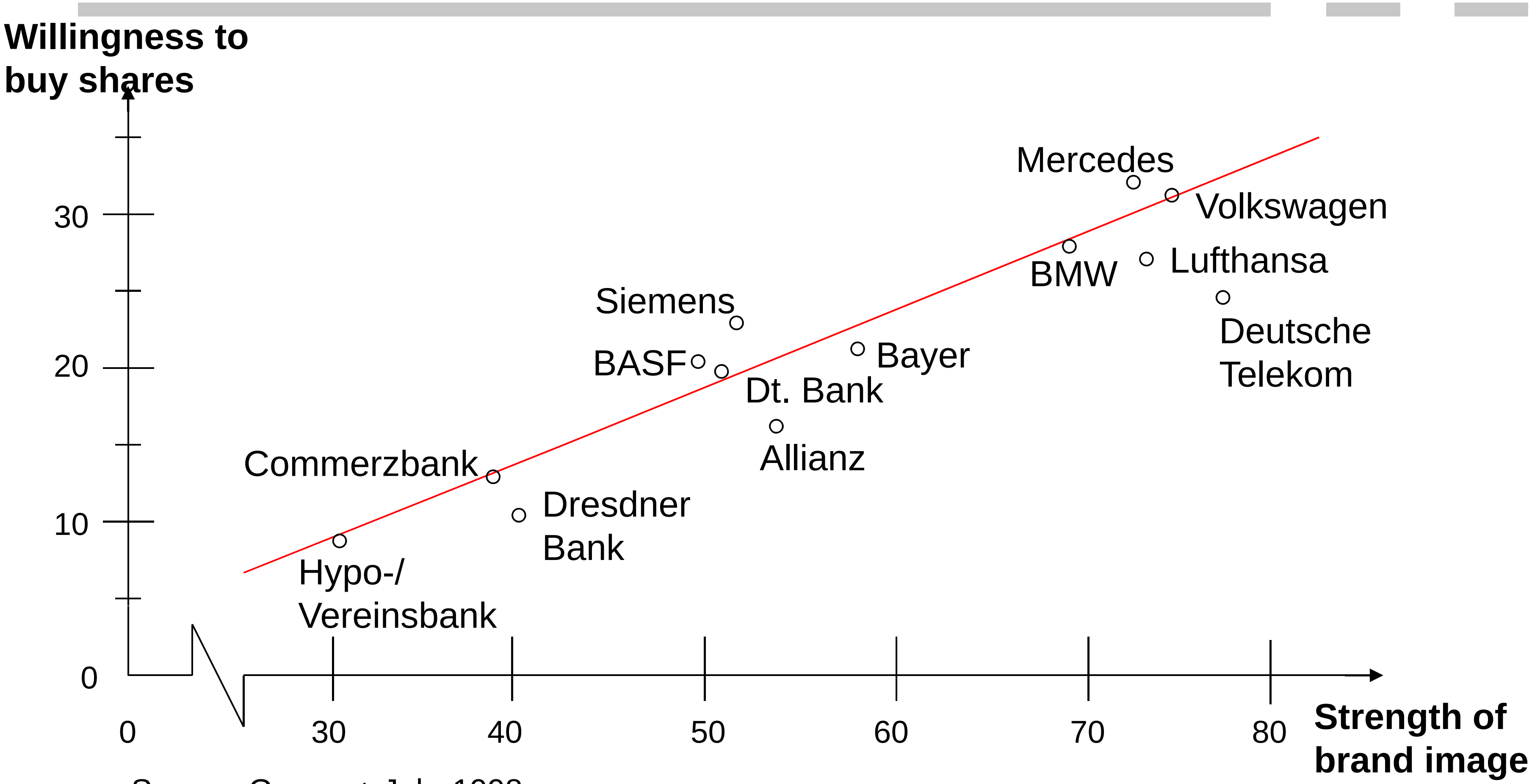
Rank	Brand	Brand equity 2000 (billions $)	Market value 30.6.2000 (billions $)	% of brand equity of the market value
1	Coca-Cola	72.537	142.163	51%
2	Microsoft Windows	70.197	420.992	17%
3	IBM	53.184	194.236	27%
4	Intel	39.049	447.719	9%
5	Nokia	38.528	239.828	16%
6	General Electric	38.128	524.351	7%
7	Ford	36.368	48.781	75%
8	Disney	33.553	80.645	42%
9	McDonald's	27.859	44.012	63%
10	AT&T	25.548	118.671	22%
11	Marlboro	22.111	60.740	36%
12	Mercedes	21.105	53.399	40%
13	Hewlett Packard	20.572	124.875	16%
14	Cisco Systems	20.068	446.454	4%
15	Toyota	18.824	171.166	11%
16	Citibank	18.810	203.325	9%
17	Gillette	17.359	36.471	48%
18	Sony	16.410	85.349	19%
19	Amex	16.122	69.240	23%
20	Honda	15.245	33.247	46%

Which Cola tastes better?



Source: Chernatony / McDonald 1992

Brand strength and market value



Source: Gruner + Jahr 1998

Brands - key assets?

Brands are essential for the

economic wellbeing of many companies!

They represent a key asset!

Long term brand success – empirical insights

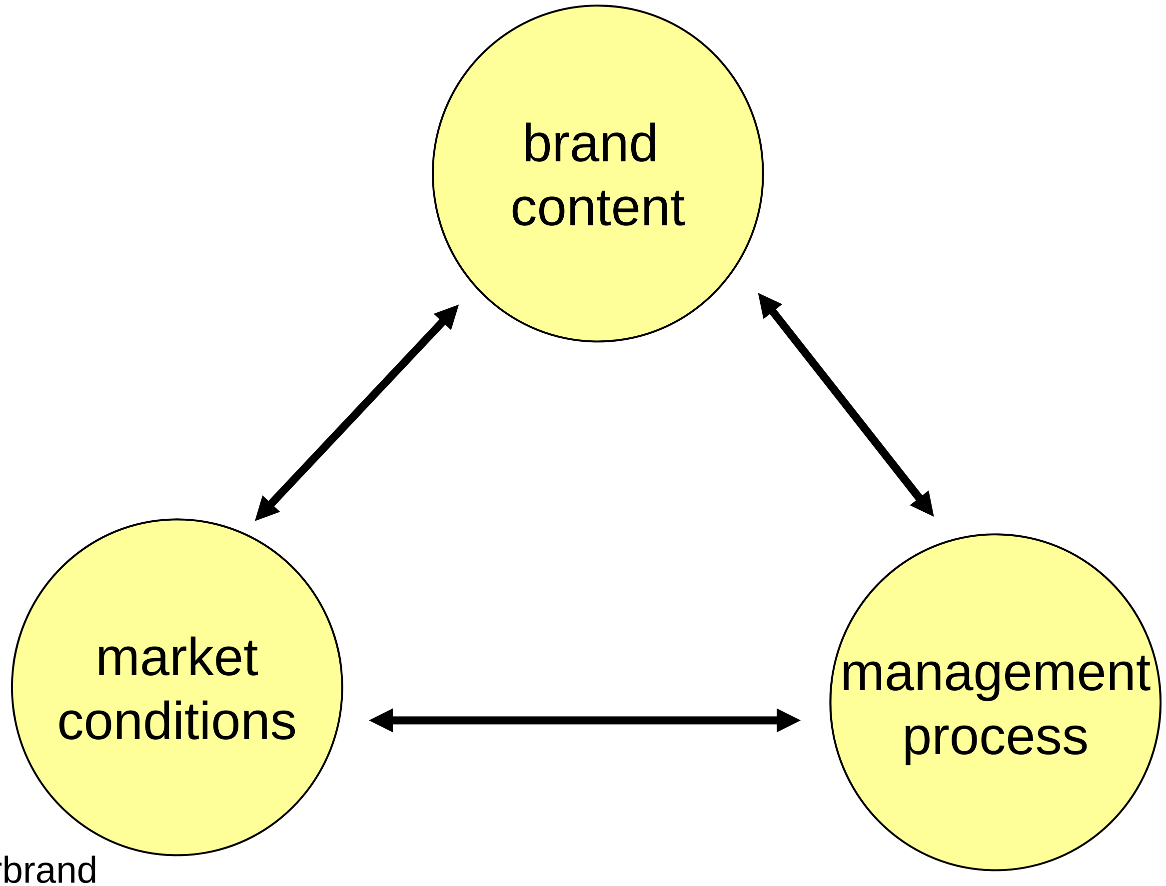
Study	Database	Result
Day (1990)	PIMS-database (5 years)	Leading brands suffered significant losses. The bigger the market share the higher the loss.
Diller/ Kaffenberger/ Lücking (1993)	GfK-database (11 years, 29 durable consumer good markets)	In nearly 50% of the analysed markets, market leadership changed over time. The former market leader quite often suffered substantial losses.
Golder (2000)	Panel-data (74 years)	More than 50% of the former market leaders have lost the lead position, some of them disappeared completely.

Changes in brand equity

Brand	Brand equity 2000 (billions $)	Brand equity 2002 (billions $)	% of change 2000 and 2002
Coca-Cola	72.537	69.637	- 4%
Microsoft Windows	70.197	64.091	- 9%
IBM	53.184	51.188	- 4%
Intel	39.049	30.861	-21%
Nokia	38.528	29.970	-22%
General Electric	38.128	41.311	8%
Ford	36.368	20.403	-44%
Disney	33.553	29.256	-13%
McDonald's	27.859	26.375	-5%
AT&T	25.548	16.095	-37%
Marlboro	22.111	24.151	9%
Mercedes	21.105	21.010	-0,5%
Hewlett Packard	20.572	16.776	-19%
Cisco Systems	20.068	16.222	-20%
Toyota	18.824	19.448	3%
Citibank	18.810	18.066	-4%
Gillette	17.359	14.959	-14%
Sony	16.410	13.899	-13%
Amex	16.122	16.278	0,1%
Honda	15.245	15.064	-1%

Source: Interbrand

Determinants of long term brand success



Source: Interbrand

Market conditions

Dynamic markets with new competitors and fast changing consumer preferences represent a challenge for established brands.

Under some market conditions (i.e. low involvement, no price premium for brands, very strong competition) the investment in building a brand and keeping it attractive doesn‘t pay off.

Brand content

Flexibility in brand management depends on the brand associations (very specific vs. very broad).

Low flexibility is typical for product-related associations, i.e. Colgate = toothpaste.

Benefit-related associations typically offer a broader range of options for redefining the brand concept, Nivea = care (for men, women, babys, skin, hair).

Brand management process

Emergence of mental models as a result of confirmative learning.

For leading brands similar mental models are typical. All managers learned the same lessons.

A „dominant logic“ hinders controversal discussions about the right course of action.

If market conditions are changing, established insights become obsolet and the brand management team risks to get caught in an experience trap.

Example

2 4 8

What’s the rule behind these numbers?

Most people are not looking for disruptive information!

Leading brands ...

often have a strong specific brand personality, which is hard to modify.

are closely linked to specific markets or product categories in the eyes of their customers.

are managed by people, who believe in specific cause-effect-relations (explaining past success) and have problems to realize changes in the rules of the game.

" SUCCESS BREEDS FAILURE"

Brand success

The „market problem“

When established markets are getting unattractive, entering more profitable markets is an important alternative (Milka).

The „content problem“

When the brand concept is too specific and narrow, a brand stretching strategy is a good alternative (Nivea).

The „process problem“

Fostering an open climate, where existing solutions could be questioned without risking negative consequences.

Establishing a brand audit, where all basic beliefs and assumptions are questioned systematically.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