



Aalto University  
School of Business

# Capstone: Product and Brand Management

*Lecture 6*

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*Professor of Practice Pekka Mattila*



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# Distribution management and retail management

# Channel conflict

(Lambrecht 2010)

## Horizontal conflict

- Overlapping sales coverage provided by parallel channels
- Small degree of overlap is inevitable and a sign that the firm is obtaining good market coverage
- High degree of overlap can rapidly lead to deterioration in channel performance

# Channel conflict

(Lambrecht 2010)

## Vertical conflict

- Associated with a breakdown in the relations between the supplier and a channel intermediary
- Occurs when parties' expectations are not met

# Channel conflict

(Lambrecht 2010)

## Supplier actions

- Supplier begins direct sales, competing with indirect channels
- New product is assigned to a new channel

## Channel changes

- New formats emerge (online, social shopping)
- Resellers merge or consolidate

# Channel conflict

(Lambrecht 2010)

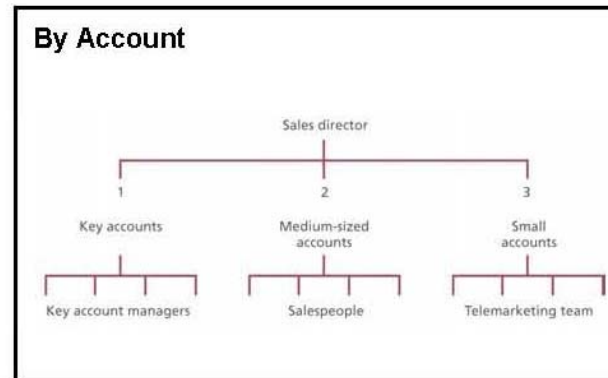
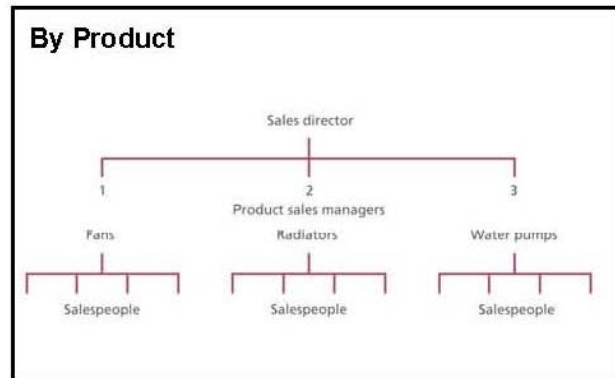
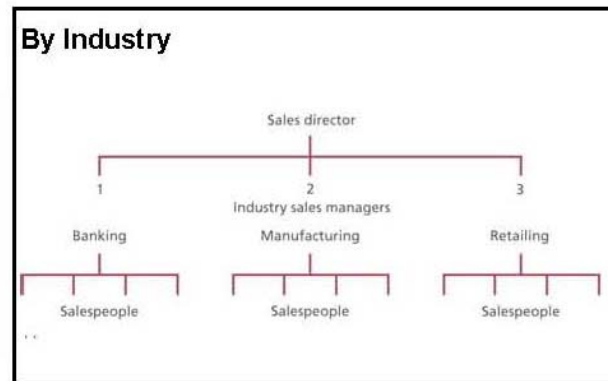
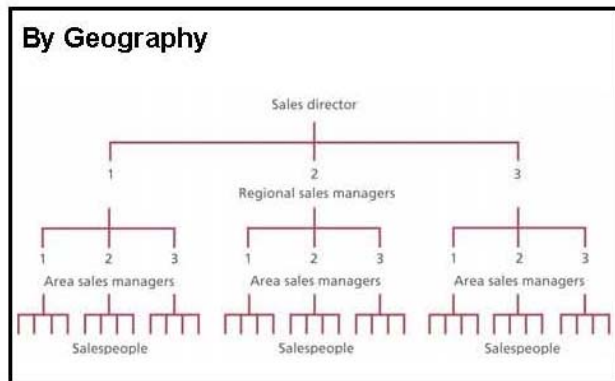
## Customer buying behavior changes

- Change in information/logistics needs
- Adoption of digital channels
- Economic downturn

# Sales force (Lambrecht 2010)

- **Specialists – Reps focuses on a subset of customers / products / activities**
  - Knowledge helps to convey complex information more efficiently
  - Better knowledge of customer needs
- **Generalists – Reps carry entire line**
  - Small territories, less travel time
  - Higher proportion of time spent with customers
  - Lower cost per call

# SOME COMMONLY USED SALES FORCE STRUCTURES



(Lambrecht 2010)



# Sales force (Lambrecht 2010)

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# Sales force (Lambrecht 2010)

## •Efficiency

- Segmenting customers
- Structuring and organizing sales force
- Allocating (territories, offerings, customers)
- Sizing (account coverage, call rate) sales force

## •Effectiveness

- Compensating sales force (fixed vs. variable incentives)
- Setting sales quotas
- Training, coaching, evaluating sales force

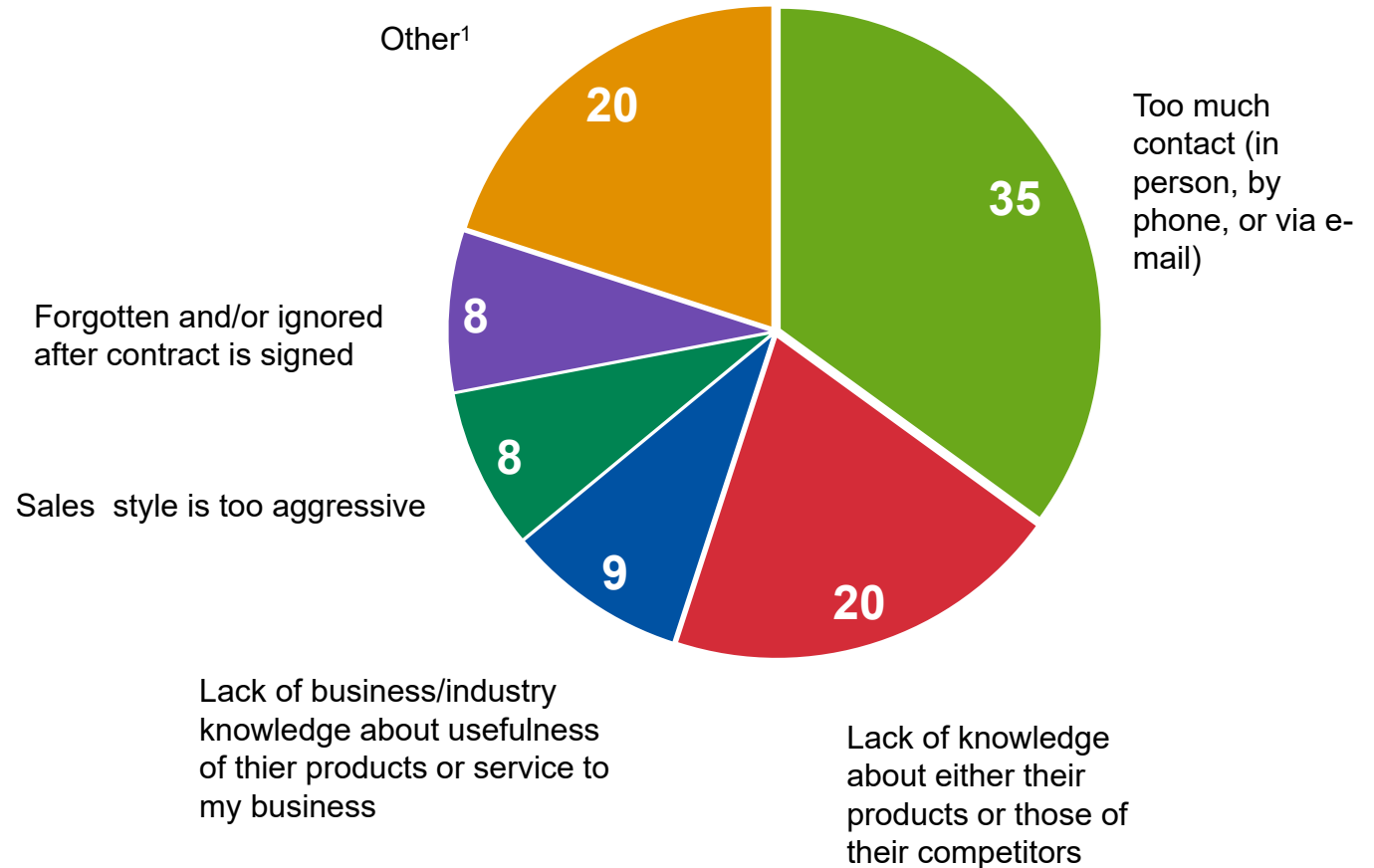
# Strategic sales management (HBR 1998)

Old Approach	Necessary New Approach
1. Get New Accounts	1. Retain Existing Accounts
2. Get the Order	2. Become the Preferred Supplier
3. Pressure Your Company To Cut Price	3. Price For Profit
4. Give Service To Get Sales	4. Understand Cost Implications and Manage For Profitability
5. Manage All the Accounts the Same Way	5. Manage Each Account For Maximum Long-Term Profitability
6. Sell to Anyone	6. Concentrate On the High Profit Potential Accounts

# Where sales reps go wrong?

(Boaz & Murnane & Nuffer 2010)

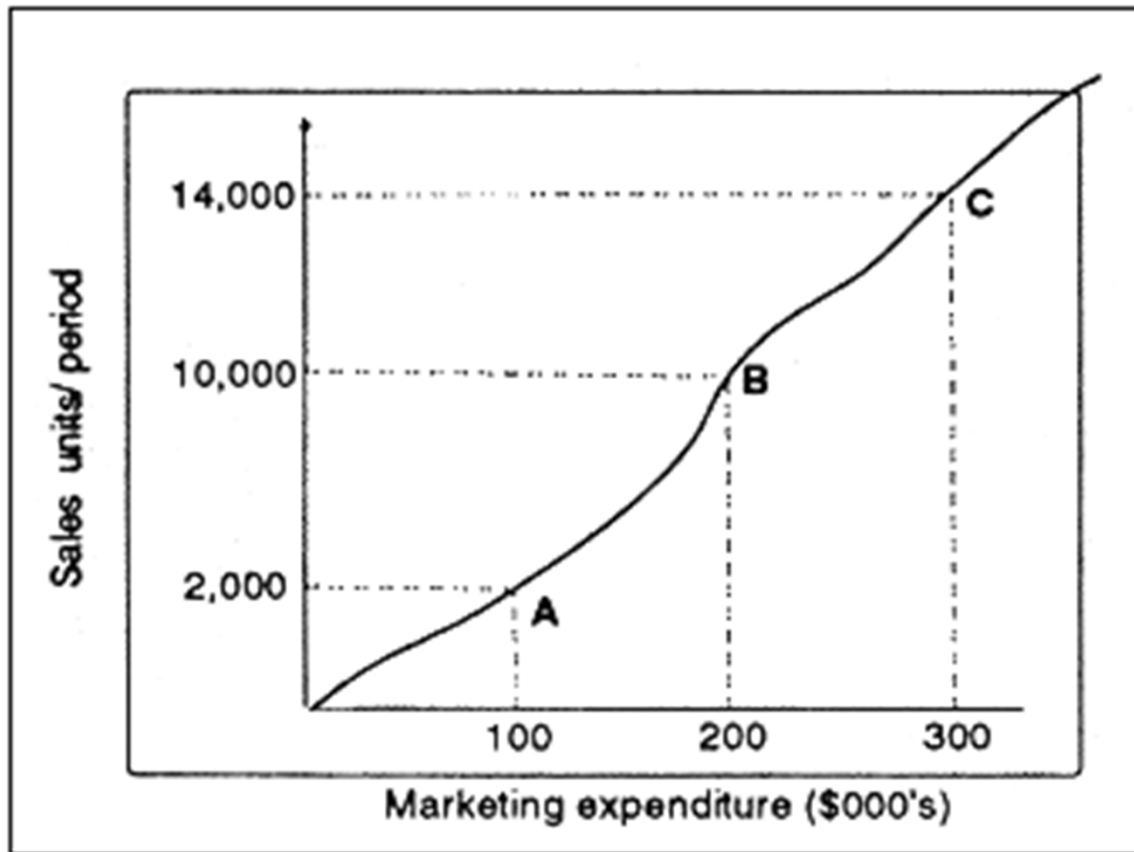
% of US and European customers selecting given sellign activity as "most destructive," Dec 2009, (n=1252)



# Sales response function

- How does selling cost vary with sales force size?
- Linear assumption
- May also need to account for variable compensation
- How does revenue contribution vary with sales force size?
- Diminishing marginal returns expected

# Sales response function



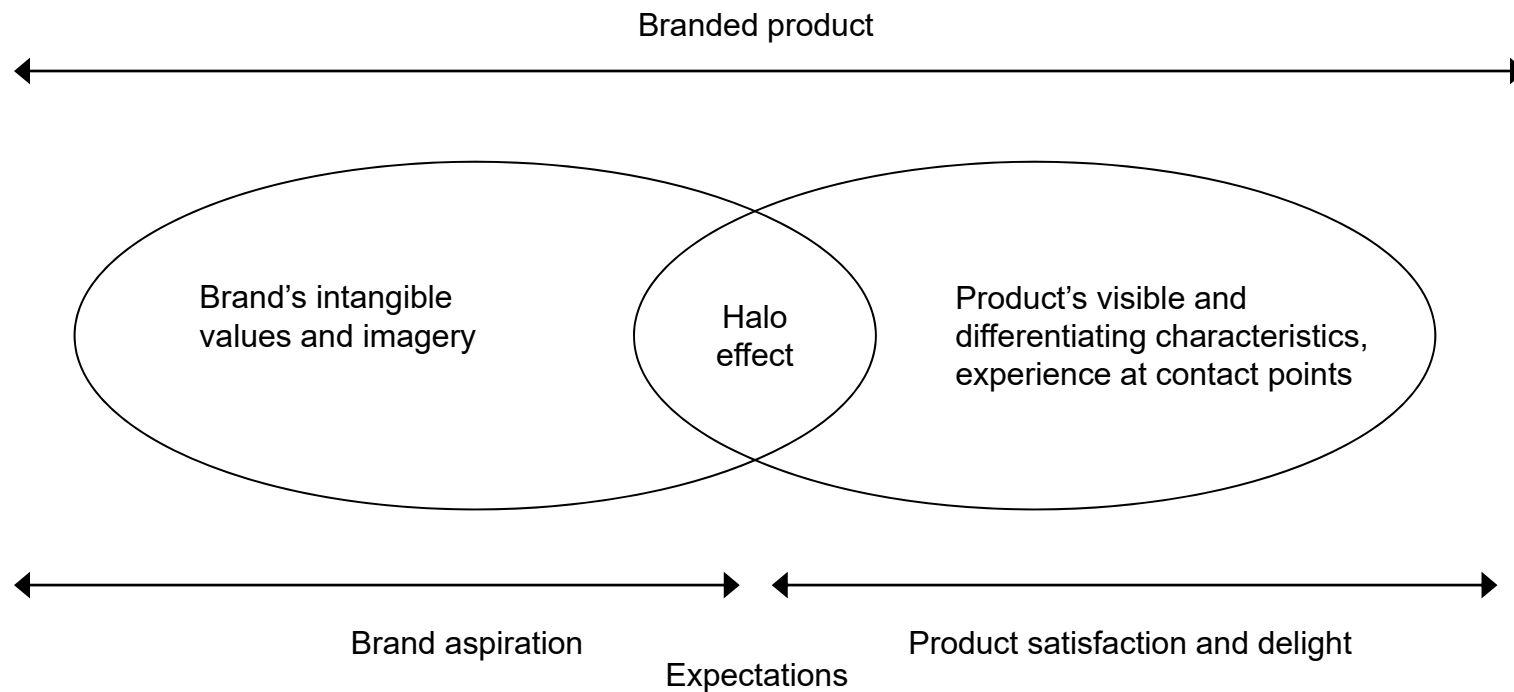
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# Corporate brand – a case for a branded house

# The product and the brand

(Kapferer 2012)





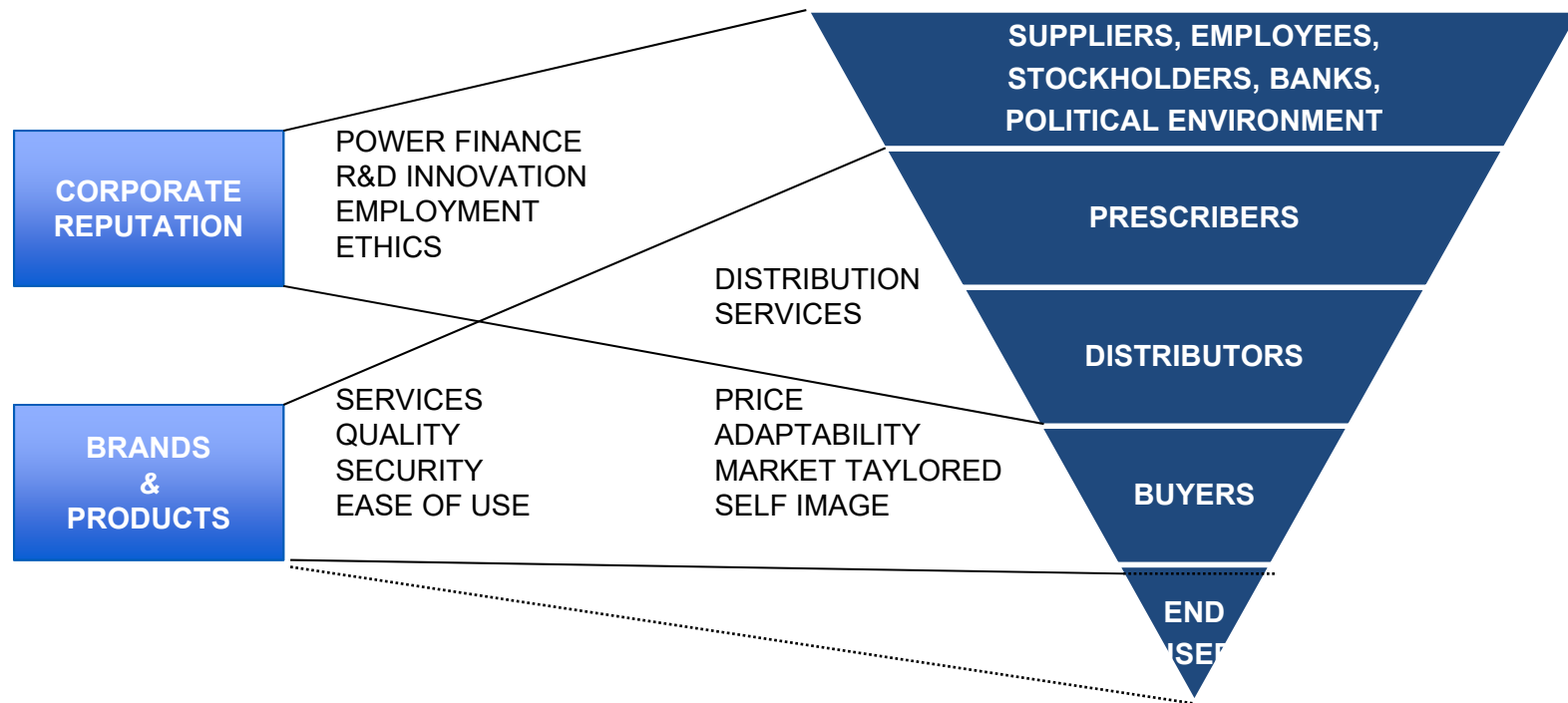
# How brand awareness creates value through the halo effect (Kapferer 2012)

Good quality/price ratio	0.52
Trust	0.46
Reliable	0.44
Quality	0.43
Traditional	0.43
Best	0.40
Down to earth	0.37
Client oriented	0.37
Friendly	0.35
Accessible	0.32

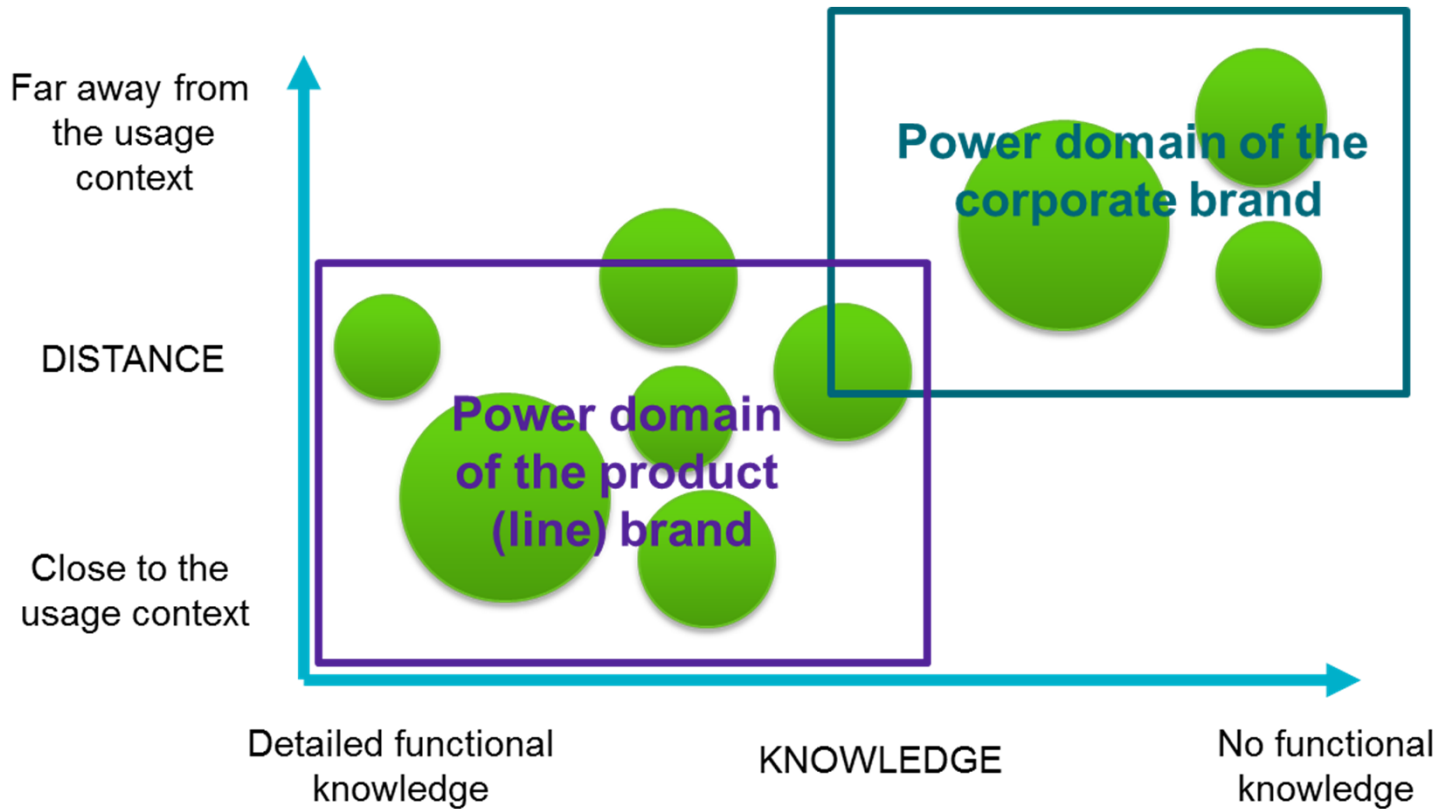
Distinct	0.31
A leader	0.29
Popular	0.29
Fun	0.29
Original	0.27
Energetic	0.25
Friendly	0.25
Performing	0.22
Seductive	0.08
Innovative	0.02

(Base: 9,7398 persons, 507 brands) **Source:** Schuiling and Kapferer, 2004

# Scope of the corporate brand and of product brands (Kapferer 2012)



# Relevance of corporate and product (line) brands across the decision-making unit (Mattila 2012)



© Mattila 2012

# Essentials of a corporate brand

(Aaker 2004)

- **Heritage**
  - **Assets and capabilities**
  - **People**
  - **Values and priorities**
    - *Innovation*
    - *Perceived quality*
    - *Concern for customers*
  - **Local vs. global orientation**
  - **Citizenship – Creating good company vibes**
  - **Corporate performance and size**
-

# Potential impact of a corporate brand

(Aaker 2004)

- **Organizationally based differentiation**
- **Corporate programs as branded energizers**
- **Credibility - Liking, expertise, trust**
- **More effective management of the brand portfolio**
- **Support for internal brand building**
- **Provides a message to supplement the product brand**
- **Support for communication to other stakeholders than customers: investors, prospective employees, regulators, political leaders**
- **Provide the ultimate branded house**

# Potential challenges of a corporate brand (Aaker 2004)

- **Maintaining relevance**
- **Creating value positions**
- **Avoiding visible negatives**
- **Managing the brand across contexts**
- **Making the brand identity emerge**

# Corporate brand management imperatives (Balmer 2012)

- **Three imperatives underpinning the strategic management of corporate brands:**
  1. **Brand custodianship imperative:** ensuring the corporate brand is seen as a strategic senior management concern
  2. **Brand credibility imperative:** ensuring the corporate brand covenant is bona fide
  3. **Brand calibration imperative:** ensuring the corporate brand covenant is meaningfully and dynamically aligned with the identities forming the corporate brand constellation

# Emotional and financial value of corporate brands (Balmer 2012)

Corporate Brand Assets	Explanation	Brand Example
Reassurance Value	Successful corporate brands are coveted by stakeholders and institutions alike. Over many years trust is accrued to successful corporate brands as a stand-alone identity type (separate and divisible from corporate identity). The reassurance value of corporate brands to stakeholders translates into institutional value: a firm's purposes for its existence can be realized via the corporate brand.	Haier <i>(over a 30 year period the brand building efforts of Haier have caused it to become an established and trusted corporate global brand: one of the first to emerge from the People's Republic of China)</i>
Emotional Value	Stakeholders sometimes have a strong personal bond with the corporate brand. Customers, and other stakeholders, may feel they have <i>emotional ownership</i> of the corporate brand.	Body Shop <i>(from its modest beginnings in Brighton, England, Dame Anita Roddick's socially responsible company metamorphosed into a much-loved ethical corporate brand on the global stage)</i>
Financial Value	Successful corporate brands can be bought, sold and borrowed by firms. The economic value of corporate brands may materially enhance shareholder value in the short-term (dividends) and long-term (the brand equity element associated with the corporate brand name/marque)	Marriott <i>(the leasing of the Marriott corporate brand, via franchising arrangements, is a highly lucrative pecuniary activity of this U.S.-based hotel group)</i>



# Corporate brand management imperatives (Balmer 2012)

Corporate Brand Imperative	Rationale	Explanation	Examples Cited in Article
Custodianship	Building, guarding and managing the corporate brand covenant	Corporate brands are a senior/CE management responsibility: they are critically important (strategic) assets. Executives should always be faithful to the precept of <i>semper fidelis</i> , demonstrating on-going fidelity to corporate brand stewardship.	London Transport Apple
Credibility	Living and realizing the corporate brand covenant	Corporate brand credibility is dependant on an organizational-wide adherence to a corporate brand/corporate marketing philosophy and a cultural <i>modus vivendi</i> . As such the corporate brand covenant being <i>authentic</i> (reflects the firm's identity), <i>believable</i> (reflects the firm's culture); <i>durable</i> (sustainable), <i>profitable</i> (of value to stakeholders), and, <i>responsible</i> (meeting the firm's CSR and ethical responsibilities).	British Airways BP

# Corporate brand management imperatives (Balmer 2012)

Corporate Brand Imperative	Rationale	Explanation	Examples Cited in Article
Calibration	Sustaining and changing the corporate brand covenant	Corporate brand calibration is a method—a <i>modus operandi</i> —by which credibility can be attained and maintained <i>in the present</i> (corporate brand being), <i>in the future</i> (corporate brand becoming) <i>and in both the present and future</i> (corporate brand bridging). The AC <sup>4</sup> ID Test framework affords assistance to senior executives in their strategic task of calibrating the covenanted corporate brand identity with other identity types.	Coca-Cola Hilton Co-operative Bank The British Monarchy

# Corporate brand management imperatives (Balmer 2012)

**TABLE 6.** Comprehending Corporate Brand Being, Becoming, and Bridging

Focus: <i>Corporate Brand</i>	Time Frame/s	Nature of Calibration	Corporate Brand Identities Requiring Calibration	Utility
BEING	Present	Clear: Alignment with the covenanted corporate brand identity	Actual Corporate Identity, C <sup>1</sup> ommunicated/ C <sup>2</sup> onceived/ C <sup>3</sup> ovenanted/ C <sup>4</sup> ultural/ Corporate Brand Identities	Maps key corporate brand identity interfaces which inform the corporate brand constellation as it currently is

# Corporate brand management imperatives (Balmer 2012)

Focus: Corporate Brand	Time Frame/s	Nature of Calibration	Corporate Brand Identities Requiring Calibration	Utility
BECOMING	Future	Complex: Alignment with the ideal/desired or covenanted corporate brand identity will need to be ascertained	Actual Corporate Identity, C <sup>3</sup> ovenanted/ C <sup>4</sup> ultural/Ideal/ Desired Corporate Brand Identities	Maps key corporate brand identity interfaces which will inform the corporate brand constellation as it expected to be
BRIDGING	Present & Future	Complex: Alignment with the ideal/desired or covenanted corporate brand identity will need to be ascertained	All corporate brand identities	Maps key corporate brand interfaces which inform the corporate brand constellation as it currently is and is expected to be

# Corporate brand management imperatives (Balmer 2012)

**TABLE 8.** Overview of Misalignments vis-à-vis Coca Cola, Hilton, Co-operative Bank, and The British Monarchy

Corporate Brand	Misalignments	Explanation
Coca-Cola	Communicated Corporate Brand Identity <i>Misaligned with:</i> The Covenanted Corporate Brand Identity	Coca-Cola by communicating a product attribute change failed to take account that Coca-Cola is a corporate, national, cultural as well as a product brand (icon). Tampering with the product was seen by many in the U.S. as tampering with an emblematic national and cultural entity.
Hilton	Multi-Covenanted Corporate Brand Identities <i>Misaligned with:</i> A Single Conceived Corporate Brand Identity	Although the public viewed Hilton as a single brand the two owners of the Hilton had—and communicated—two distinct corporate brand promises.

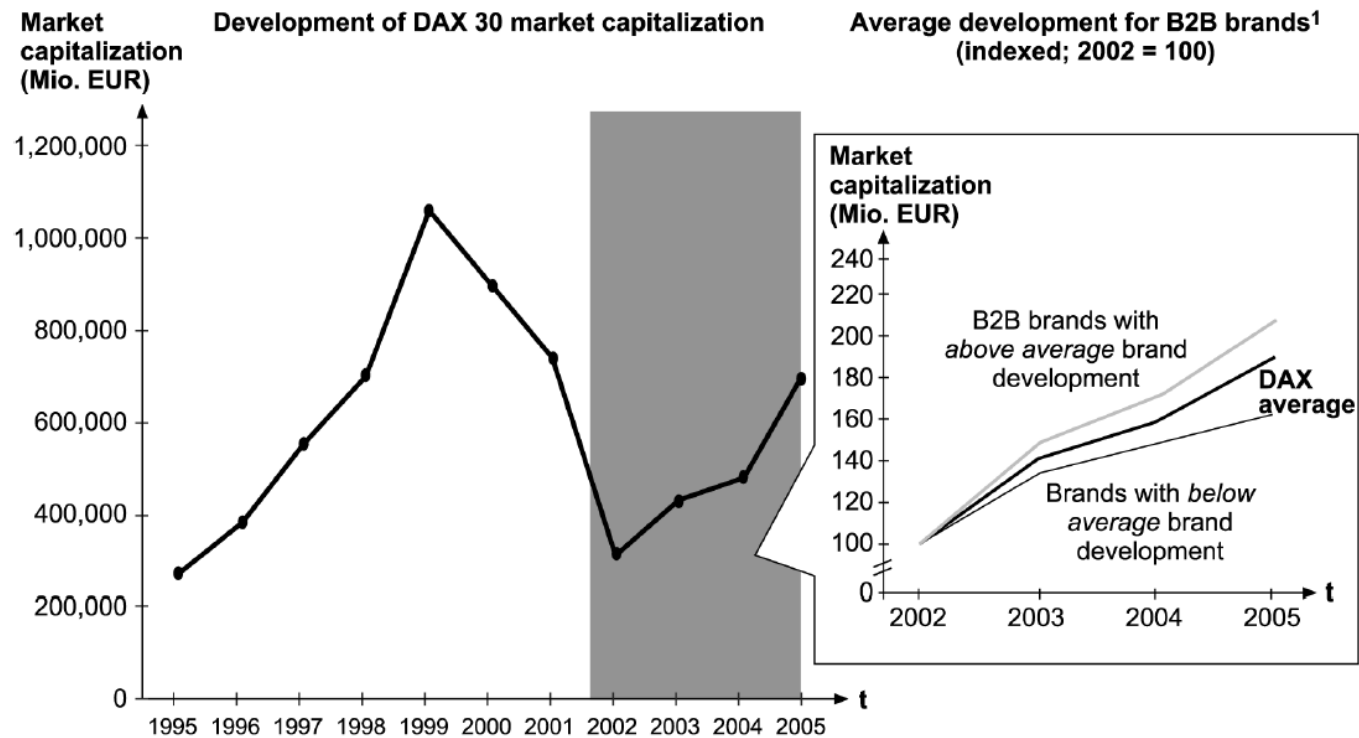
# Corporate brand management imperatives (Balmer 2012)

Corporate Brand	Misalignments	Explanation
Co-operative Bank	The Ideal Corporate Brand Identity <i>Misaligned with:</i> Covenanted Corporate Brand Identity	The adoption of a new ethical/CSR positioning for the bank meant that the extant brand positioning based on innovation required change.
The British Monarchy	Communicated, and Conceived, Corporate Brand identities <i>Misaligned with:</i> The Ideal & The Desired Covenanted corporate brand identities	The King's advisors strategized that the optimum strategic corporate brand positioning (ideal corporate brand identity) for the British Crown should be resolutely British. The King wished for the same (desired identity). Existing communications of the Monarchy (communicated corporate brand identity) and public perceptions of the Crown (conceived corporate brand identity) were ostensibly German in nature.

# Effects of branding in B2B industries

(Kotler & Pfoertsch 2007)

Figure 1 Branding's effect on DAX companies' share price



**Note:** The BBDO Brand Equity Evaluation System was used to determine the brand performance; see BBDO Brand Excellence Band 1: Brand Equity Review 12/2006

# Effects of branding in B2B industries

(Kotler & Pfoertsch 2007)

Figure 2 Branding's effect on DOW companies share price

