



Aalto University
School of Business

Capstone: Product and Brand Management

Lectures 8-10

4.4.2019

Professor of Practice Pekka Mattila

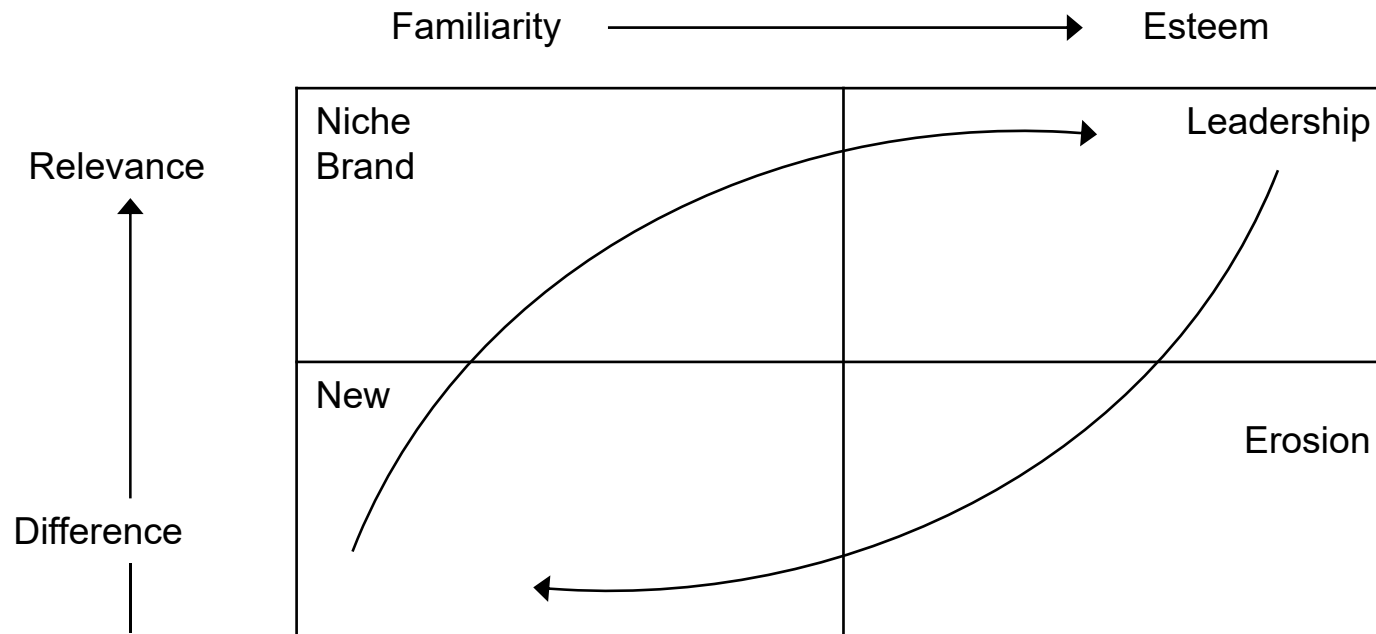


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Brand decline and recovery

Paths of brand growth and decline

(Kapferer 2012)



Source: Brand Asset Monitor (Y&R)

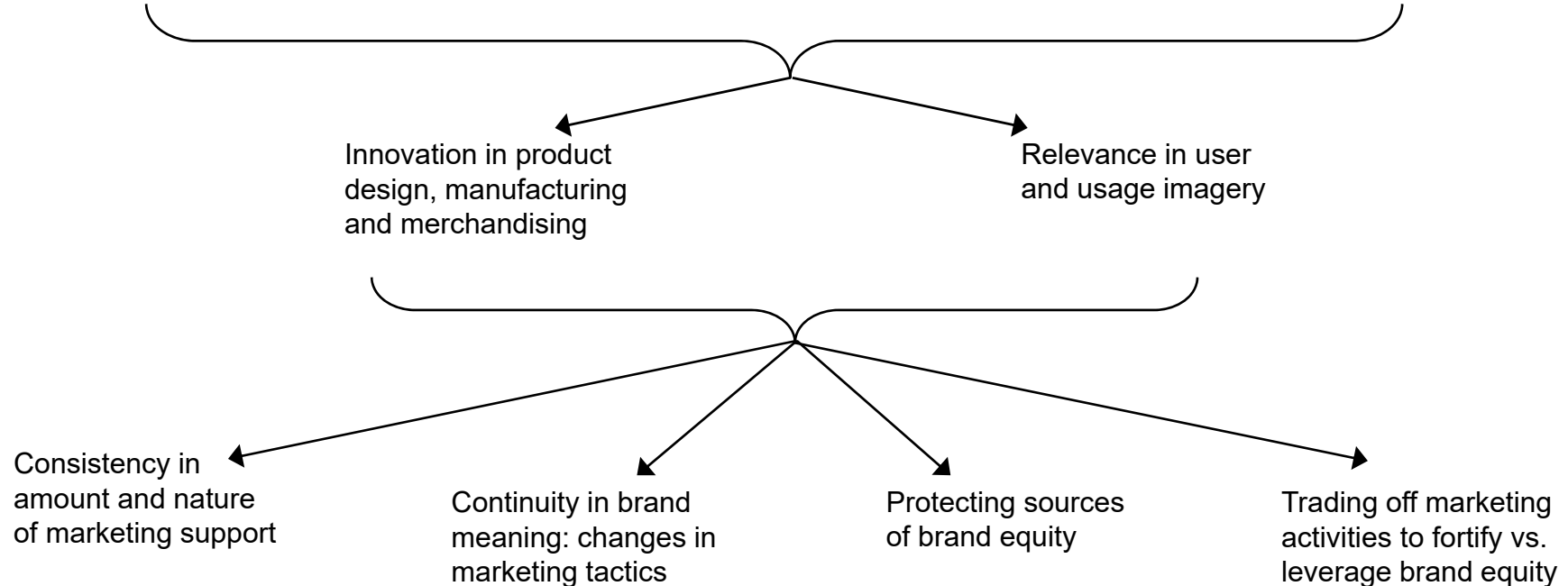
Brand reinforcement strategies (Keller 1999)

Brand Awareness

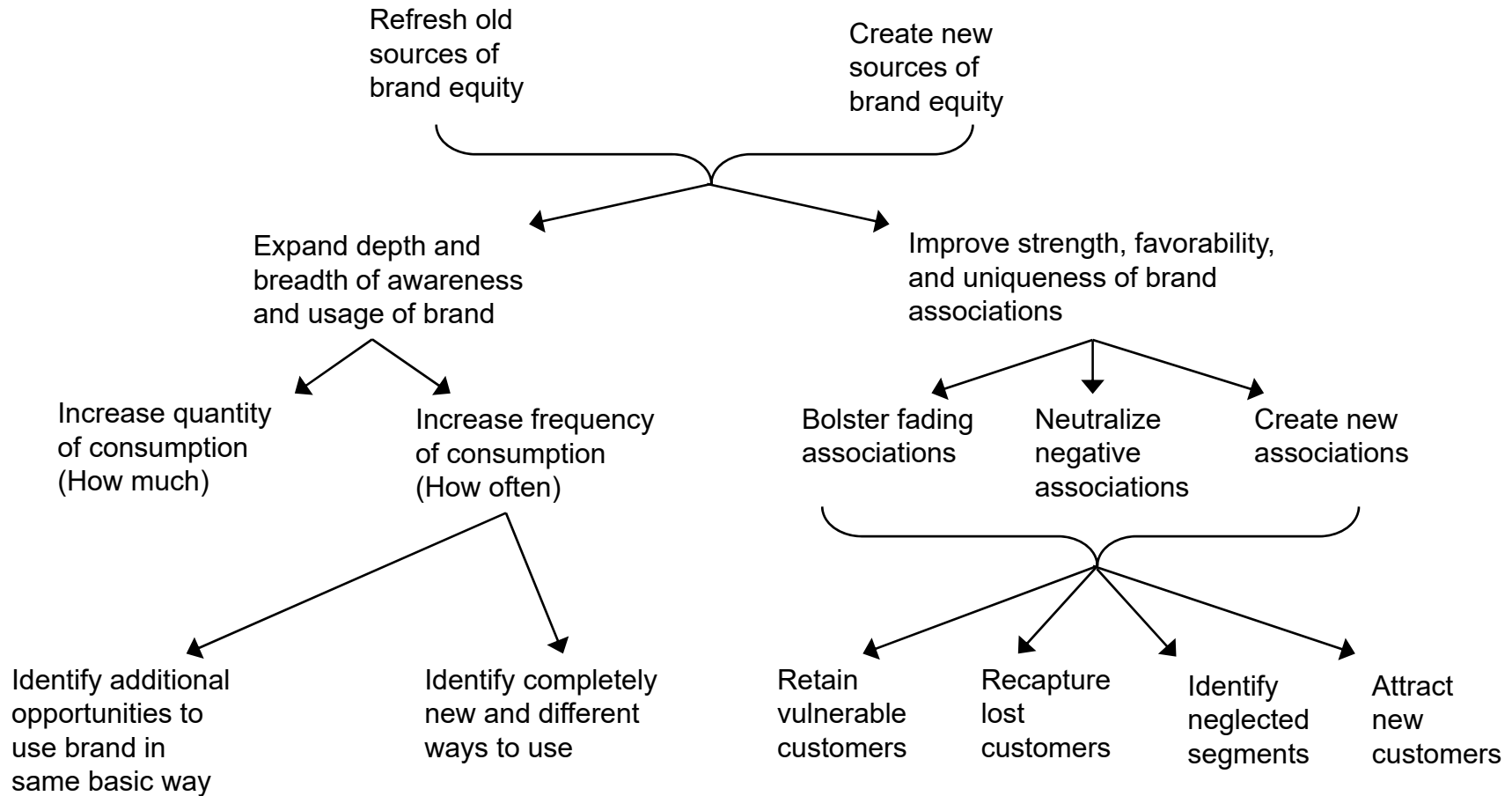
- What products does the brand represent?
- What benefits does it supply?
- What needs does it satisfy?

Brand Image

- How does the brand make products superior?
- What strong, favorable, and unique brand associations exist in customers' minds?



Brand revitalization strategies (Keller 1999)





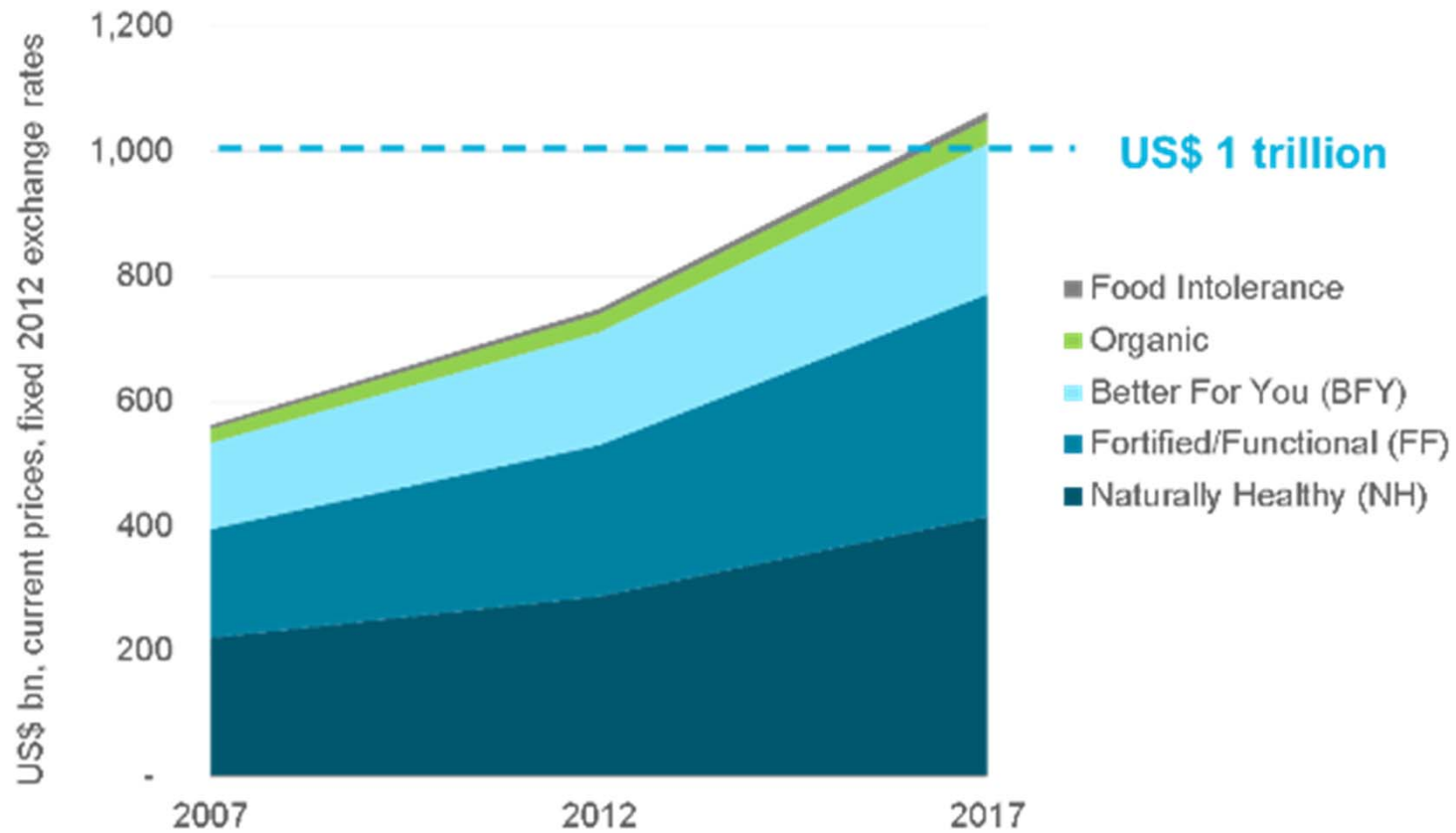
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Luxury brands vs. commodity brands

GLOBAL PERSONAL LUXURY GOODS GROWTH EXPECTED TO ACCELERATE IN 2018, WITH POSITIVE SENTIMENT ACROSS REGIONS



(Bain)



(Euromonitor)

Essence of luxury

(Kapferer 2012)

- **One's rank in society is demonstrated by one's ability to sacrifice productive resources to buy non-productive items (Bataille & Hurley 1991)**
- **“What I like about luxury that it is expensive”**
- **Luxury as an absolute concept does not need a brand (Kapferer 2010)**

Essence of luxury

(Kapferer 2012)

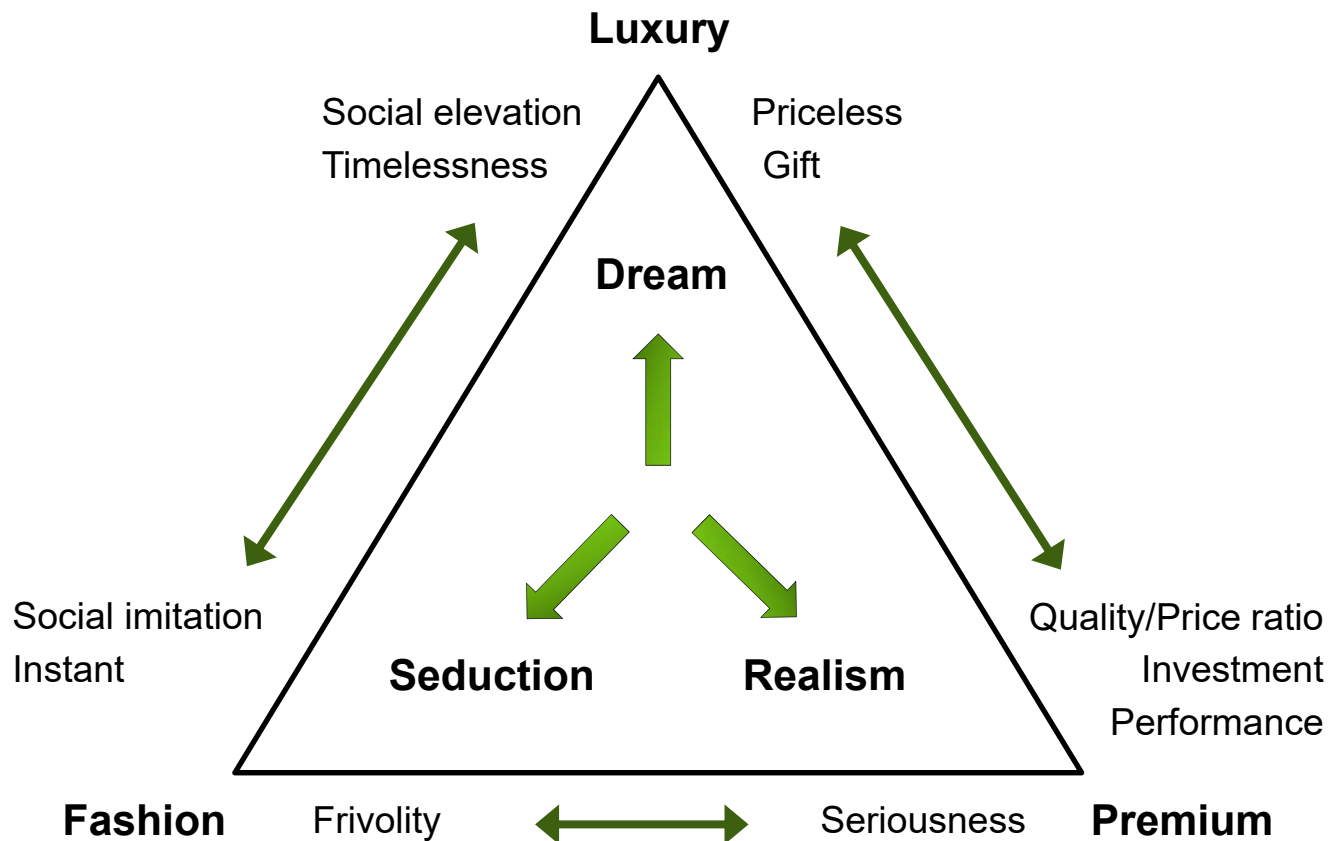
- **Lipstick effect: After experiencing psychological stress, individuals purchase affordable luxuries as a substitute for more expensive items (Estée Lauder during Great Depression)**
- **Self-healing requires big names for its magic to operate**
- **Sacrifice is necessary for the product to become sacred and to endow the buyer with its luxurious effects (Hubert & Mauss 1981)**

Essence of luxury

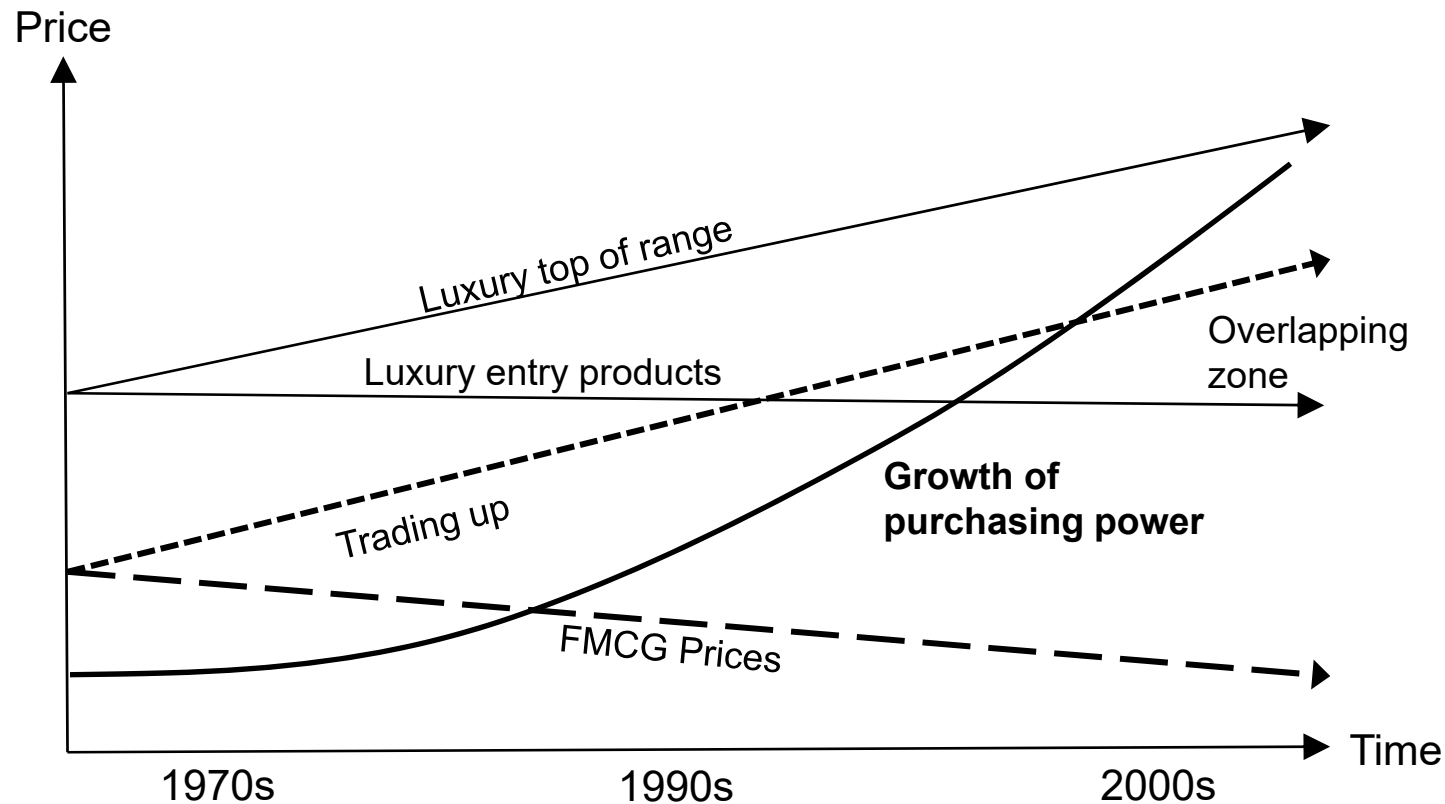
(Kapferer 2012)

- **Scarcity creates value: the cookie experiment (Worchel & Lee & Adewole 1975)**
 - *Apple's product launches*
 - *El Bulli's table reservations*

Luxury, fashion and premium positioning triangle (Kapferer & Bastien 2009)



Why the confusion between premium and luxury? (Kapferer & Bastien 2009)



Luxury strategy

(Kapferer 2012; Kapferer & Bastien 2009)

- **Anti-laws of marketing**
 1. Do not delocalize production
 2. Do not advertise to sell
 3. Communicate to non-targets
 4. Maintain full control of the value chain
 5. Maintain full control of the distribution

Luxury strategy

(Kapferer 2012; Kapferer & Bastien 2009)

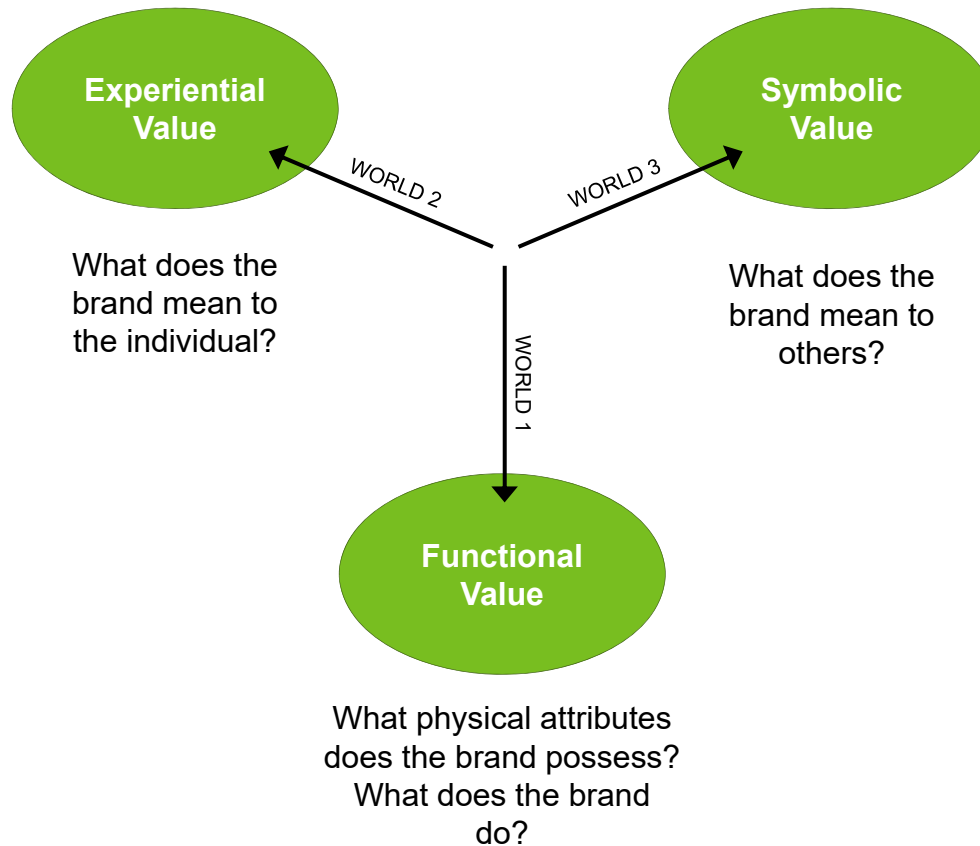
- **Anti-laws of marketing**

6. Never issue licenses

7. Always Increase the average price: if creating accessible lines, make sure that there is room for systematic trading up

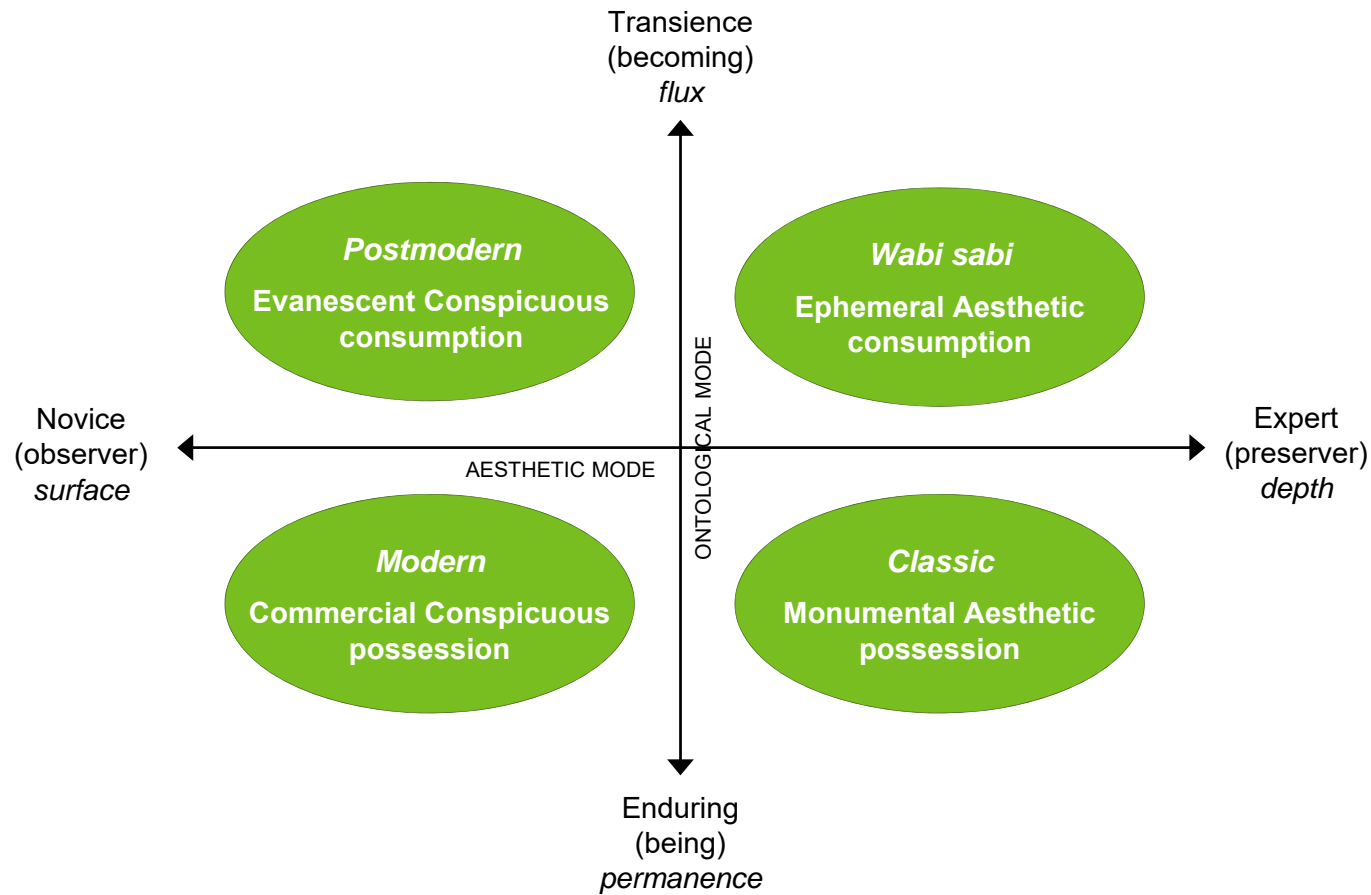
8. Develop direct one-to-one relationships with clients

Constituent value dimensions of luxury brands (Berthon & Pitt & Parent & Berthon 2009)



Typology of luxury brands

(Berthon & Pitt & Parent & Berthon 2009)



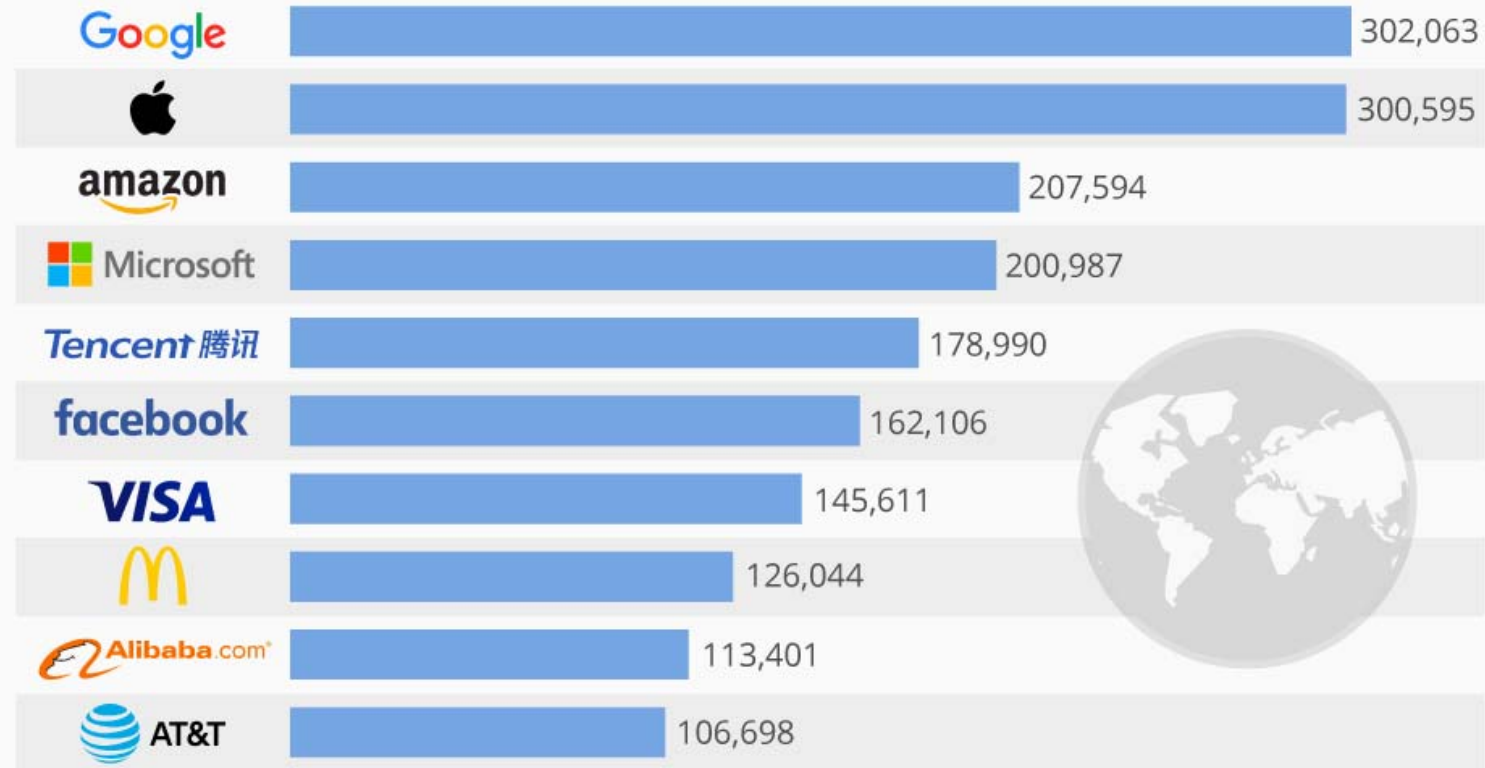
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Brand equity and return on brand investments

The World's Most Valuable Brands 2018

Brand value of the most valuable brands in 2018 (in million USD)

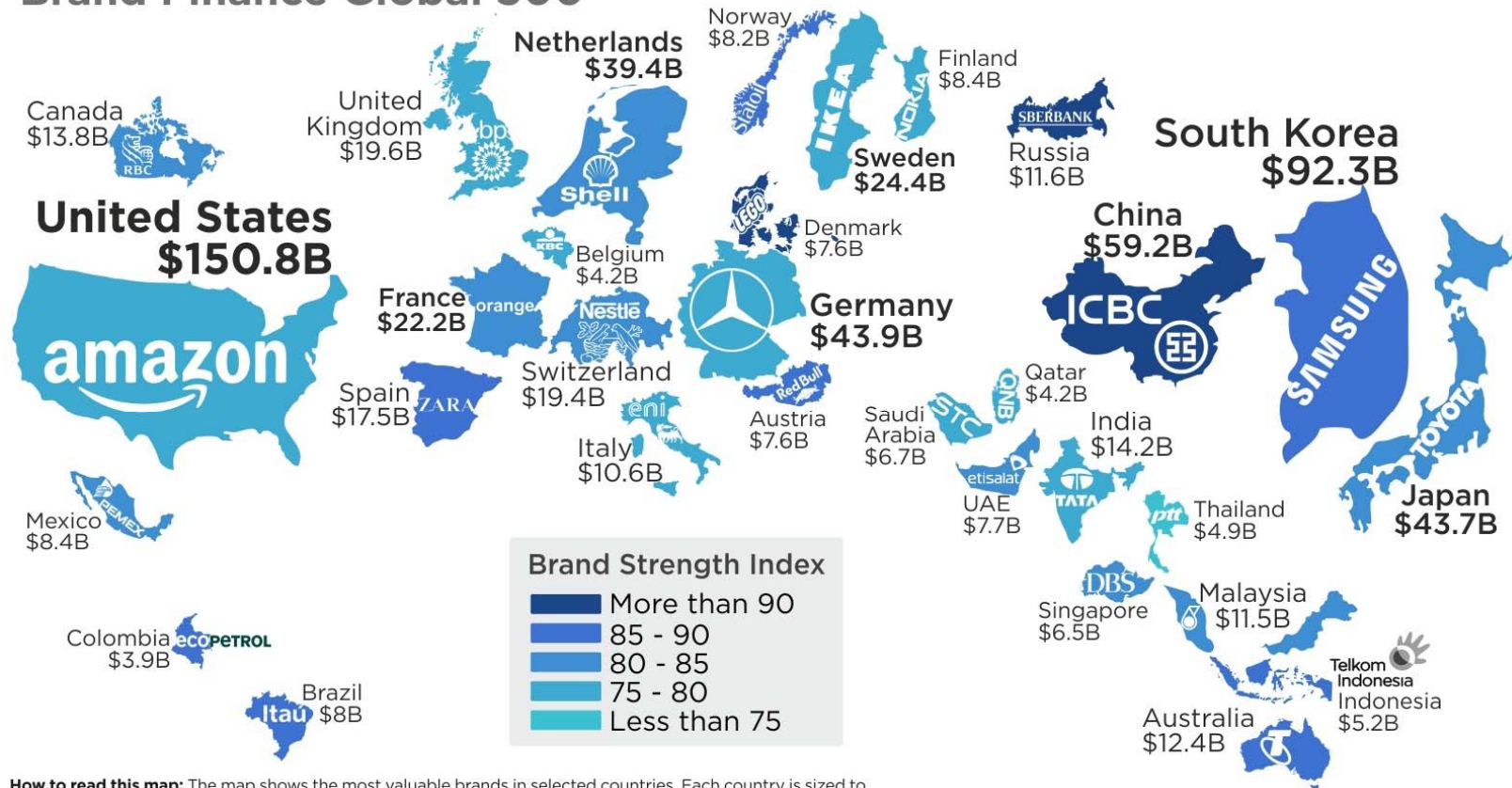


@StatistaCharts Source: WPP/Kantar Millward Brown



The World's Most Valuable Brands 2018 by Country

Brand Finance Global 500



How to read this map: The map shows the most valuable brands in selected countries. Each country is sized to reflect the value of its most valuable brand (the more valuable a brand, the bigger the size of the image). The colours represent brand strength, out of a maximum of 100.

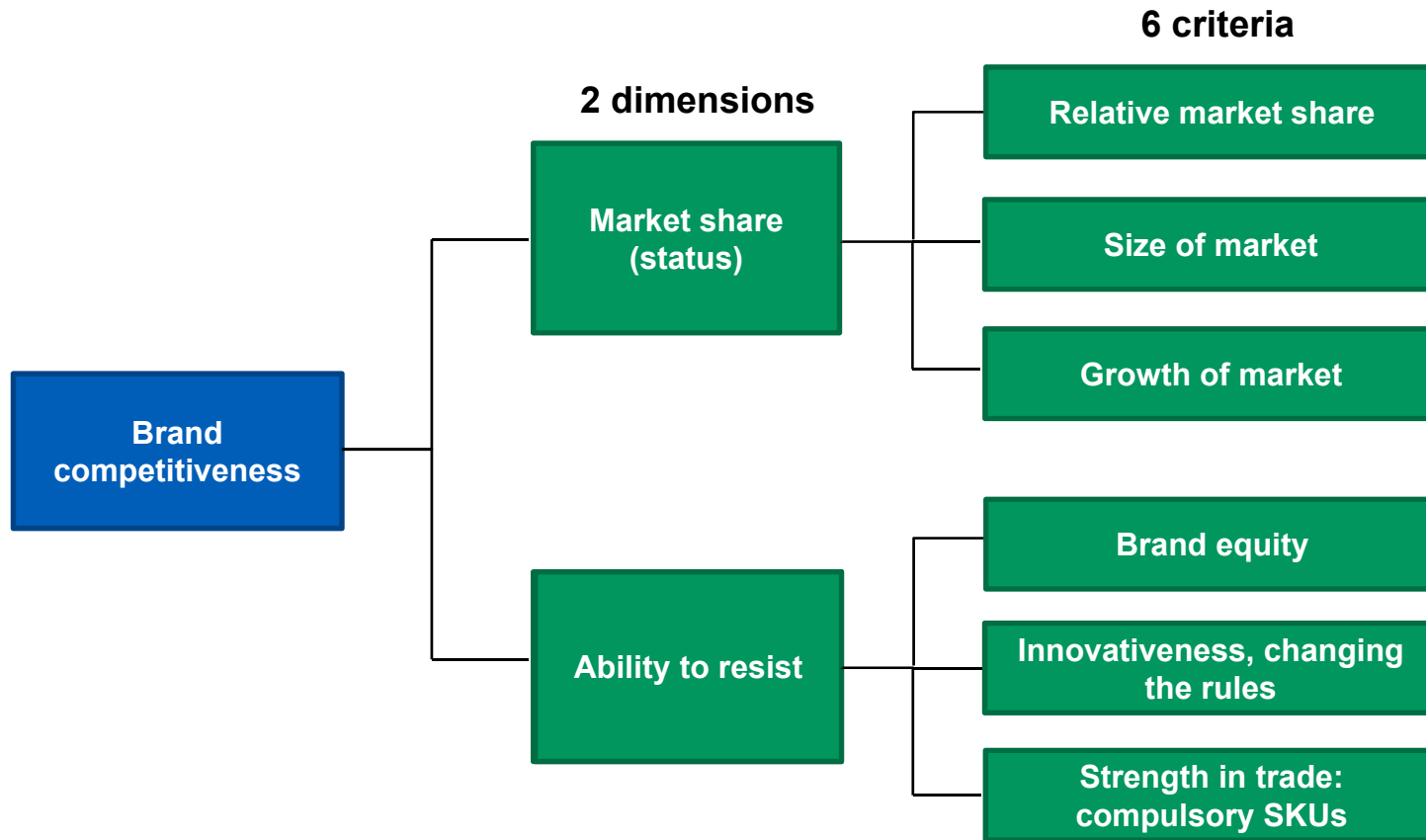
Article & Sources:

<https://howmuch.net>

The data has been sourced from the Brand Finance Global 500 annual study on the world's most valuable and strongest brands. <https://brandfinance.com>



Six criteria to assess brand long-term potential (Kapferer 2012)



Assessing brand strength (Kapferer 2012)

Risks associated with the future market	<ul style="list-style-type: none">• Growth of the market• Profitability of the market• Importance of competitor and retailer brands• Expected technological innovations• Changes in customer expectations• Strength of barriers to entry
Risks associated with the sources of brand value	<ul style="list-style-type: none">• Quality of past advertising support• Image and reputation• Quality of trademarks and their registration• Customer loyalty• Distributor attitudes and loyalty• Attitudes of opinion leaders• Relative position in the market
Risks associated with the product	<ul style="list-style-type: none">• Life of patents• Existence of 'me-too' brands and product copiability• R&D perspectives
Risks associated with the business	<ul style="list-style-type: none">• Financial support• Strategic coherence
Potential	<ul style="list-style-type: none">• Potential for geographic extension• Licensing potential• Potential for extension into other product categories

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G2C and G2B branding & Country-of-origin effect

Concept and its origins

- Country-of-origin is a way to differentiate the product from the competitors
- Schooler (1965) is considered as the first researcher to empirically study this effect. He found out that products, identical in every respect except for their country-of-origin, were perceived differently by consumers
- Country-of-origin has an impact on consumers' quality perceptions of a product, as well as ultimately preference for and willingness to buy that product

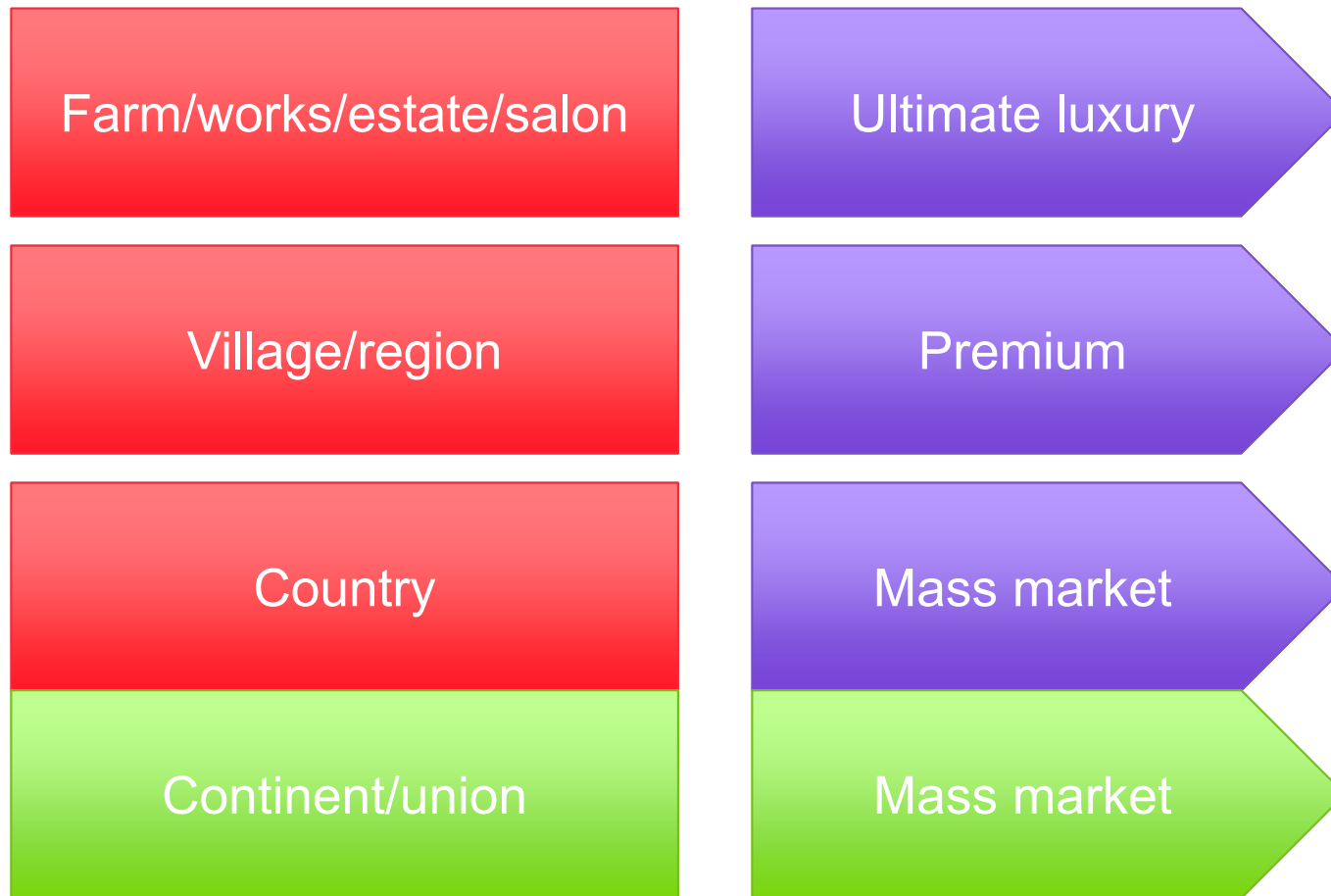
Concept and its origins

- Several studies have shown that consumers tend to have a relative preference to products from their own country or may have a relative preference for or aversion against products that originate from certain countries (so-called affinity and animosity countries)
- Consumers tend to utilize the country of origin more when they are less involved and less familiar
- Low involvement
- But...

Concept and its origins

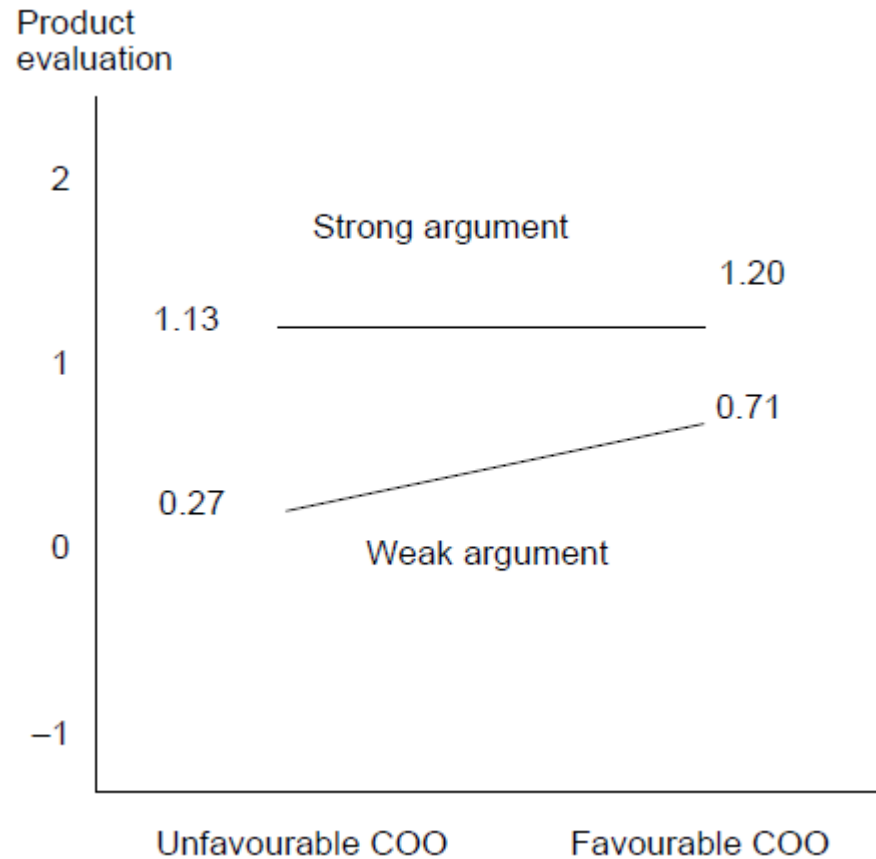
- ... but in addition, consumers tend to use country of origin more as a decision tool when they consider luxury products
 - Aspirational
 - Transformational
 - High involvement

Laddering of origins (Mattila 2011)



Country of origin effect: individual difference

Figure 1
Test of $H2$: the role of
attribute argument
under high need for
cognition
(Zhang 1996)



Different aspects of the country-of-origin effect (Verlegh & Steenkamp 1999)

Examples of cognitive, affective and normative mechanisms for country-of-origin effects

Mechanism	Description	Major findings
Cognitive	Country of origin is a cue for product quality	Country of origin is used as a "signal" for overall product quality and quality attributes, such as reliability and durability (Li & Wyer, 1994; Steenkamp, 1989)
Affective	Country of origin has symbolic and emotional value to consumers	Country of origin is an image attribute that links the product to symbolic and emotional benefits, including social status and national pride (Askegaard & Ger 1998; Batra et al., 1998)
Normative	Consumers hold social and personal norms related to country of origin	Purchasing domestic product may be regarded as a "right way of conduct", because it supports the domestic economy (Shimp & Sharma, 1987). By the same token, consumers may refrain from buying goods from countries with objectionable activities or regimes (Smith, 1990; Klein, Ettenson & Morris, 1998)