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Challenges and Opportunities Facing Brand Management: An Introduction to the Special Issue

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Recent headlines in the popular press (e.g., "What's in a Name? Less and Less," "Brands on the Run," "Private Label Nightmare," "Marlboro Friday," "The Brand Leader's Dilemma") spell out the plight of brand or product management in today's tough competitive environment. Brand managers have been described as "murderers of brand assets" because such an important function typically has been left in the hands of relatively young, inexperienced managers, overloaded with analytical skills and often very short-term focused (Landler, Schiller, and Therrien 1991). The challenges posed by these conditions require a change in mindset as well as actions on the part of brand managers. These managers are challenged not only by the imperatives of the daily crises forced by customer and competitive market activities, but also by a need to think more strategically about the function of brand management itself. The purpose of this introduction, indeed of this special issue, is to examine issues affecting the state of brand management—the challenges as well as the opportunities.

In addressing this objective, we adopt a broad perspective. The issues affecting brand management go beyond those that can be dealt with by the set of articles constituting the special issue. A broad perspective enables us to sketch some directions for research. We discuss problems and opportunities posed by major market forces and their implications for product management. We adopt a "systems" view, which considers brand management as adaptive, responding not only to the actions of competitors, final and intermediate customers, and other stakeholders, but also to its own past actions and reputation. We distinguish brand managers from brand management and discuss some possibilities for new ways of organizing the function. Furthermore, we try to offer some understanding of the "causes of causes." That is, rather than restricting ourselves, say, to discussion of the impact of retailer or manufacturer actions on buyer behavior, we also focus on why these market players behave as they do by examining the likely impact of macroenvironmental forces (e.g., changes in technology and global competition) on industry practices. We acknowledge the reciprocal relations buyers and suppliers have with each other in their constant state of adaptation (Dickson 1992; Ratneshwar, Shocker, and Srivastava 1993). This deeper understanding of causes of market behavior will only increase as brand managers seek greater market orientation (Kohli and Jaworski 1990; Narver and Slater 1990). These constitute ways of "seeing differently," which we increasingly expect to characterize the functioning of future brand managers.

The remainder of this article is presented in two sections. The first identifies five major environmental forces affecting market behavior and suggests their implications for brand management. We pay some attention to interrelations among these forces and the proactive nature of brand management itself in helping shape them. Throughout this discussion, as appropriate, we highlight the special contributions of the articles selected for the special issue. The final section identifies several research opportunities this perspective affords.

ENVIRONMENTAL PRESSURES ON BRAND MANAGEMENT

Marketers must create competitive advantage by constantly adapting to and instigating change. An innovative product or program loses its competitive edge and the ability to command price and/or share premiums as soon as competitors are able to duplicate or counter its capabilities. Hence, successful marketers must dare to be different, not only to get ahead, but to stay there. However, adaptations to market changes are likely to be more successful if actions are guided by knowledge of the forces shaping market behavior and insights that enable the development of sustainable competitive advantages.

Brand managers must address the exigencies of the *evolving needs of buyers* within a market increasingly populated by *global competitors* and the *opening of territorial mar-*

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kets. They must deal with the fuzziness of product-market boundaries aided by increased deregulation and competitive initiatives, which has the creation of new products/services and the lowering of costs as principal benefits; an increasing pace of *technological change*, which profits from its own past successes and is given new impetus with globalization and increased competition and represents another factor contributing to blurred product market boundaries; the growing *power and independence of the channels of distribution* as intermediate customers, often made possible by advances in information technology; and *pressure from investors* to produce more predictable growth in revenues, profits, and cash flows and thus benefit from cost reduction. These forces affect buyer expectations and opportunities and by so doing impact back upon themselves, creating change. Brand managers must realize that how competently they respond depends, in part, on how they leverage new capabilities and options presented and that their actions affect the very forces to which they respond. These major forces are examined in turn.

Globalization of Competition and Greater Openness of Markets

For an increasing number of cases, the globalization of the world economy can present daunting challenges. Technology developed in the United States can be converted to product designs in Japan, manufactured in Thailand, and distributed worldwide by traders in Hong Kong. Excess capacity in Bangkok influences prices in Boston (especially in maturing product categories). The advent of global competitors, especially their love for the American marketplace (the single largest free market in the world), means that U.S. manufacturers cannot be insular. As the Leclerc, Schmitt, and Dubé (1994) research indicates, buyers continue to be fascinated with foreign (and foreign-sounding) brands. Country-of-origin effects may be part of the brand equity of certain names. Japanese manufacturers have had unrivaled successes in the motorcycle and consumer electronics markets, in part due to associations with quality and reliability. The grocery business is seeing increased competition from the north (Loblaws in food products and Cott in beverages have become major private label suppliers) as well as from Europe's giant multinationals (e.g., Unilever and Nestlé). The December 1993 issue of *Consumer Reports* carries brand name ratings in six product categories: pocket knives, bread makers, SLR cameras, perfumes, rack stereos, and miniature televisions. In each category, the top-rated brand, and over 60% of the top ten brands, were foreign.

This attack from global competitors accounts for many sleepless nights for brand managers. Brands often "must thrive globally to survive locally." As managers at Kodak and Compaq have discovered, one of the better ways to hold Fuji or NEC, respectively, at bay is by attacking them at home. Besides tapping an additional market, this strategy has the advantage that the competitor's resources are stretched and home-market profits can no longer be used as readily to fuel foreign adventures. Such actions require brand managers with international experience and the freedom to engage in activities that suit local conditions, even though they may be at variance with their domestic market behaviors.

Strategic alliances. In the face of global competition, domestic firms may seek alliances with foreign competitors, thus co-opting them and preventing their availability to competitors. Such alliances have become the norm in the auto industry. Or, given shrinking margins and profits at home, companies may seek greater opportunity in the global arena. Cereal Partners Worldwide, a joint venture of General Mills and Nestlé, has captured substantial market share outside North America—largely at the expense of Kellogg. No single firm has resources, knowledge, and skills to be the best at everything. To survive, companies often have to share costs and risks, and therefore rewards. Increasingly, they also are forced to share knowledge, distribution, and even capital via strategic alliances that can stretch organizational capabilities and change the nature of brand management. Apple and Sony combined their design and manufacturing skills to produce the enormously popular Powerbook. Sony and Nintendo have combined hardware and software capabilities to take on Sega in the market for video games distributed on CD-ROMs. Nike relied on Du Pont to design air-tubes that provide bounce in the soles of Air Jordan basketball shoes and manufacturers in Asia to deliver the product. The brand manager must coordinate with counterparts outside the firm as well as traditional contacts within.

For many firms, strategic alliances with certain suppliers, distributors, and even former competitors are a key to future competitive strength. Unknown producers seek distribution through well-regarded retailers to benefit the unknown brand with favorable associations. Other firms have combined brand names—in the form of brand alliances—to increase consumer response. Consider the wide variety of products that now contain branded ingredients, such as Diet Coke with NutraSweet or IBM personal computers with Intel chips. Others have used multiple brand names to communicate cobranded product variants—for example, Special K frozen waffles by Eggo (both Kellogg's brands) to connote a more nutritional waffle. Cobranding extends to alliances between the complementary brand names of independent producers, for example, Ford's Citibank MasterCard.

Collaborating with competitors. Although alliances between manufacturers with complementary skills, or between manufacturers and their suppliers and distributors, is natural and understandable, even direct competitors can find reasons to collaborate. The strength of global challenges encourages domestic competitors to form alliances and creates pressures for changes in antitrust regulation to make the alliance feasible. A decade ago, Matsushita, JVC, and scores of others joined forces behind the VHS format for VCRs to beat out Sony's Betamax. U.S.-based companies are learning as well. The IBM-Apple-Motorola partnership, forged to develop the next generation of Power PCs (and erode the dominance of Intel and Microsoft), heralds cooperation among formidable competitors and holds implications for Japanese industry. Global alliances may provide a way of weakening antitrust restraints. This requires new thinking and possibly a split personality for the brand manager, as he or she cooperates in one domain while possibly remaining competitive in another. This may force new organizational arrangements on the firm.

Designing products for global acceptance. There are myriad factors that influence both customer and competitor behavior in foreign markets. German automakers are known to design and produce technically advanced cars, in part because of demand by local buyers. Japanese buyers are attracted by the latest in automotive and electronics technologies and view quality as a must. U.S. buyers seem swayed by both quality and customer service. Consumers in developing countries are particularly sensitive to price and fuel economy. Such differences have to be taken into account in developing a worldwide competitive strategy for brands. An emerging strategy that seems to be succeeding is to "plan globally and act locally," in which activities such as product design are conducted at a global level, but marketing and other transactional activities are customized locally. Finally, managers must be careful in coping with cultural or language differences. In the opinion of Jack Welch, General Electric CEO, globalization is increasingly difficult for U.S. companies (*Fortune* 1993, p. 88):

> The expansion into Europe was comparatively easy from a cultural standpoint. As Japan developed, the cultural differences were larger, and U.S. businesses had more difficulty there. As we look ahead, the cultural challenges will be larger still in the rest of Asia—from China to Indonesia to Thailand to India—where more than half the world lives. U.S. companies will have to adapt to those cultures if they are to succeed in the 21st century.

The brand manager may press for flexible product designs that contain features important to all markets collectively or options that can be added readily to a basic design to satisfy local requirements. The channel may become more extensively involved in fabrication to suit local tastes. Or scale economies from a single global design may be sufficient to reduce prices and/or increase promotion in each market to offset a lack of features. Brand management will be involved actively in seeking out, selecting from, and implementing an array of such options.

The increasing openness of markets. Deregulation often leads to increased competition from outside traditionally defined product-market boundaries. Although banks, S&Ls, and credit unions worried about increasing competitive intensity among themselves, they were beset by competition from nonfinancial companies. Credit card operations are now run by retailers (Sears' Discover Card), service companies (AT&T's Universal Card), and manufacturers (Ford's MasterCard). Each of these new competitors are leveraging their established relationships with customers to penetrate the credit card market rapidly. To contain threats, banks have gone into partnership with airlines and telecommunication companies to offer credit cards with "frequent user" miles. On a larger scale NAFTA opened freer trade between the countries of North America, as did the Common Market between most countries of Europe.

The effects of deregulation are felt in varied industries, ranging from import/export to telecommunications, health care, and transportation. In each case the effect was the same—intensification of competition and lowering of prices and margins. But there is also a silver lining. Deregulation also has freed companies like AT&T to pursue new opportunities in related industries like cellular communications, computers, and electronics. Lower long-distance calling rates, forced by intense competition from MCI and Sprint, have been offset partially by higher usage rates. It is worth noting that competitive forces often precede deregulation. They are both a cause and an effect. The challenge to brand management is sometimes how to adapt proactively to harsh new market realities before the protection afforded by regulation is removed.

Impact of Technological Change

The pace and nature of technological change is itself affected by the globalization of markets. Globalization means larger markets for the products of technology and greater need to coordinate management activities over wider expanses of distance and time. Greater opportunity and reward brings more players to the table and affects the direction of research efforts. A more diverse set of suitors may even increase odds that technological breakthroughs occur. Computer aided design, manufacturing, engineering, software engineering, and associated approaches have reduced dramatically the time required to develop, design, test, and manufacture new products while reducing costs and improving quality. These lower costs of technology. Information technology, when coupled with flexible manufacturing systems (or robotics), can be used to reduce order fullfillment cycles and hence inventory requirements. Simply put, technology can be leveraged to gain competitive advantage. Or technological change can be resisted by entrenched interests to their own detriment. Other impacts of technology on brand management follow.

Product innovation. Technological innovation often leads to new and better ways of solving old problems. These innovative new products may offer greater functionality at lower costs and can displace existing products (e.g., compact discs replacing cassettes; camcorders replacing 8mm movie cameras), thus providing opportunities for new entrants that may not have been otherwise available. Innovations sometime provide additional opportunity for complementary products (e.g., simplified programming devices for VCRs). The progression of technologies from vinyl records to cassettes to CDs has presented opportunities for music publishers to recycle older recordings. Although technological innovation is a threat to entrenched players, it sometimes can be used effectively to stave off competitors locked into "me-too" products. For example, though private labels have captured high shares in staid consumer packaged goods like paper towels and jams and jellies, branded goods also have been able to thwart competitors by innovation in similar categories like detergents (e.g., concentrated particles), soft drinks (e.g., aseptic packaging), and razors (e.g., Gillette's Sensor) (Giles 1993). Innovation also can become part of a firm's corporate strategy for sustaining competitive advantage (e.g., 3M, DuPont, and Gillette). Brand managers are challenged to think creatively, even in mature or stable product categories. Often innovation in the nonproduct dimensions of service, imagery, distribution (e.g., direct mail), or creative pricing (e.g., frequent flyer plans) can create differentiation. The brand manager is often in a position of leadership in identifying such opportunities.

Convergence of product-markets. Technological advances sometimes have blurred boundaries between product markets. Okidata's innovative Dockit (winner of the 1993 *Business Week* Design Award) combines functions of a laser printer, copy machine, optical scanner, and fax machine. This development was feasible because all functions are driven by the same digital technology. Multimedia computer applications (combining sound, pictures, and text) use similar data handling mechanisms as AT&T's picture phones. Airlines, hotels, and car rental agencies share the same reservation system. These examples have led to acquisitions (e.g., AT&T's purchase of NCR) as well as alliances (e.g., between American Airlines, Marriott, and Hertz), often resulting in situations involving joint promotion and advertising of brands. The challenges to brand managers include (1) how to utilize skills from one product market in another, (2) assembling and managing skills of several partners (i.e., ignoring traditional organizational boundaries) in developing and marketing new products and services, and (3) managing joint promotions and ensuring that "partner brand" strategies do not adversely affect their own brands.

Regardless of whether it is technology-driven, the search for defensible competitive advantage also has extended the boundaries of existing product categories or blurred existing definitions. In some cases new, hybrid categories have been created (e.g., toaster pastries, cereal bars, disposable cameras). This has permitted a product manager to affect the set of competitors with which his or her new brand competes. Cellular telephones have increased the range of portable phones, and compact discs have introduced a more concert-like sound into recorded music and made feasible the blending of the computer and music systems into a multimedia (CD-ROM) format. For the brand manager, such developments afford the opportunity to tap new applications and markets. In other instances, new products could have fit equally well into one of several categories, thereby providing the brand manager with important positioning decisions (e.g., General Foods Jell-O pudding pops represented a new, more convenient form of pudding or a competitor to ice cream bars; personal digital assistants represent another form of notebook computer or an organizer). Many industrial producers have discovered the added value that a recognized brand name, as an ingredient or component, can add. By establishing a credible brand presence in the final consumer market, producers such as Intel, with its "Intel Inside" campaign, or DuPont, with its Stainmaster brand, are attempting to further their influence with manufacturers of personal computers and carpeting.

Time-based competition (market entry timing). In an era of rapid technological change accompanied by fast innovation, shorter product life cycles, and converging markets, time-based competition is becoming increasingly important. In 1981, Honda introduced 113 new or revamped motorcycle models in just 18 months (Stewart 1992). From 1986 to 1990, Toshiba launched 33 different models of laptop computers. By 1991, it had discontinued more laptop models than most of its competitors had introduced (Hamel and Prahalad 1991). Companies with shorter product development cycles can close in on potential markets faster. Each product iteration enables a fast-cycle company to apply marketplace learning (e.g., features and functions that customers like or do not want), thereby potentially improving success of the next model. Brand managers acquire greater control.

When competitors can leverage similar technologies to duplicate products and services, speed is even more important:

- *Harvesting the best customers*—An innovating company often has the ability to cherry-pick customers who are likely to buy more or willing to pay more. Then, if there are relevant switching costs or the pioneering company can make it expensive for customers to migrate to other providers, these customers become less available to competitors. The brand manager gains strategic advantage.
- *Occupying the mental corner store*—Buyers tend to restrict their purchases to a few brands in each product class (Hauser and Wernerfelt 1990 document the small size of most consideration sets). A pioneer sometimes has the advantage of "defining" the product class and thus becoming one of its typical brands, possibly the brand that sets the standard with which others are compared (Carpenter and Nakamoto 1989).
- *Developing a reputation for innovation*—Being first also helps establish reputations that are particularly valuable when access to the latest technology is part of the brand equity that is of value to business customers. These brand reputations have been shown to influence positively the willingness both to try and recommend new products earlier, resulting in faster diffusion (Zandan 1992). In a short-cycle environment, a three-month time advantage can be substantial.
- *Shorter order fulfillment cycles*—GE's Quick Response program, which uses fast information technology, enabled its appliance division to cut an 80-day time from order receipt to delivery by over 75% and reduced inventory requirements by $200 million. This creates an important weapon in the arsenal of the brand manager.
- *Mass customization*—Information and flexible manufacturing technologies may permit economies of large-scale production to be realized while achieving a high degree of customization of the final product, perhaps even to the individual level. Dell's "made to order" approach tailors computer products to orders received, enabling the company to operate with minimal finished goods inventory. Dunhill Software can customize and/or personalize the computer programs it publishes to specific user requirements. Mass customization permits the brand manager to take advantage of market segmentation while keeping control of costs. Vanity appeals or products become relatively more feasible.

The Increased Power of Distributors and the Evolution of Channels

The new level of competition in many product markets has been abetted by dramatic changes in product distribution and the behaviors of distributors. Whereas in the past, products moved in a loosely coupled fashion from manufacturers to wholesalers and retailers to the final consumer, all levels of distribution and supply now see the importance of systemwide coordination to improve operating efficiencies. The advent of the term "relationship management" captures this new awareness of symbiotic interorganizational requirements for delivering customer value. For some manufacturers, this has led to the recognition that distributors are customers with their own preference functions. Conflict within the channel, in the past merely a nuisance, is now seen as a potentially fatal obstacle to the success of the brand.

Intensifying product market competition also has changed the geographic scope of product market boundaries. As markets become more global, the scope of distribution systems for most firms has broadened as well. Brand managers now recognize the incredible value of global brands—those recognized and admired throughout the world—and the difficult tasks associated with their creation and maintenance. For retailers, competition that traditionally has been focused on country-specific needs is beginning to evolve on a more regional and potentially global basis. Manufacturers and retailers alike are seeing the opportunities for growth in emerging economies of Europe, Latin America, and Southeast Asia. WalMart, for example, has opened operations in Mexico, and over half of Europe's largest food retailers now have foreign operations. Worldwide retail distribution systems, though still embryonic, have important potential implications for the development of worldwide brands.

As the relationship between producers and distributors has intensified, the relative power of distributors, especially retailers, also has increased. Increasing concentration in the retailing industry has resulted in giants like WalMart, Target, and Toys 'R' Us, who can and do exercise their clout in dealing with manufacturers. Driven also by the success of new forms of retailing, such as warehouse stores and office products depots, and the emergence of increasingly sophisticated information technologies and logistical support, manufacturers have lost much of the clout and control they once held over the ways their brands are marketed through the distribution system. The rapid diffusion of electronic scanner systems has contributed to the shift in information power from manufacturers to retailers. A decade ago, a P&G salesperson could walk into a grocery and offer a promotional campaign that "promised" substantial reward to the store. Now, store managers can respond quickly by examining the impact of such promotions. They can tell the salesperson what works best—and what does not. This has led the brand manager to more consultation with distributors to seek greater understanding of their perspectives.

In many cases, retailers are demanding, and getting access to, manufacturers' products for their own private label and store brand purposes. By offering private labels as off-price brands ("compare us with them"), retailers effectively have gone into direct competition with manufacturers. As a consequence, manufacturers with a lower price-quality position have been losing ground. Now, several retailers have begun to move upstream in quality through attractively packaged private label brands like President's Choice and Sam's Choice, designed to offer greater value than the national brands. Brand managers thus are being faced with new choices—to compete or join (i.e., produce the private label for the retailer). The national brand may be forced to concentrate only on flavors or varieties in which the private label does not choose to compete.

This power shift away from the producers of branded products has led to the well-documented increase in the use of marketing actions directed at the trade rather than final consumer. Distributors, interested in profit *across brands* and product categories (Zenor 1994) and developing their own bonds with consumers, are prone to play manufacturers against one another, creating difficulties for sales and brand managers. This has encouraged brand managers to obtain sound market research information to become better informed in dealing with distributors (Russell and Kamakura 1994). Their appetite for discounts also has grown steadily. Retailers make substantial profits from policies like slotting allowances (making manufacturers pay for shelf space for new products) and forward buying (stocking up when manufacturers offer products at discounted prices). This has encouraged a dramatic increase in the use of trade promotions at the expense of consumer advertising budgets and led to concerns about long-term effects on brand equity (Boulding, Lee, and Staelin 1994). Managers of large brands can try education to wean trade customers away from promotions through "everyday low price" (EDLP) and other strategies.

Investor Expectations and Brand Equity

Brand managers may be subject to the whims of skittish investors devoted to quarterly earnings statements. Unprecedented levels of merger and acquisition activity on Wall Street in the late 1980s, often involving leveraged buyouts, loaded buying companies and their managers with heavy debt. Squeezed by pressure from investors and lending institutions, brand managers have felt pressures to (1) produce short-term cash flows to meet debt coverage; (2) produce steady, predictable growth in earnings; and (3) justify how and why they expect investments in marketing strategies to add value to the company.

They have responded in predictable ways to enhance short-term cash flows. First, brand prices increased faster than inflation across many product categories, increasing the vulnerability of national brands to growth by private labels of similar quality. This led to "Marlboro Friday" (April 2, 1993), when Philip Morris dramatically reduced prices to stave off competition from lower-priced cigarettes and set a precedent for other firms (Giles 1993). Second, as noted, brand managers have increased reliance on trade and consumer discounts while reducing spending on advertising. Because of slow decay in the short term, cuts in advertising have fallen straight to the bottom line. Advertising's share of the marketing budget has shifted downward from over 60% to less than one-third (Landler, Schiller, and Therrien 1991). Some marketers maintain that advertising builds long-term profitability through image differentiation, whereas promotions dilute brand value by focusing on price and discounts rather than a product's distinctive features and benefits. Others question the long-term value of advertising (always difficult to measure precisely) and focus on the visible ability of promotions to affect sales. Boulding, Lee, and Staelin (1994) provide evidence for the long-term benefits of advertising and sales over promotions in creating product differentiation, possibly resolving the controversy.

The quest for steady, predictable growth in profits has led to seeming risk aversion on the part of product managers. Cost savings have made it easier to introduce "new products" using existing brand names. The result has sometimes been a focus on incremental imporvements rather than genuinely new products capable of outmaneuvering existing products or opening up new markets. Reliance on brand name alone or relatively minor product changes to differentiate an offering simply results in mindless extensions and competitive clutter. Although it probably has prevented inroads by lower-priced alternatives in a few categories, in others it has led to increased buyer confusion and resistance. The trade, ever pressed for valuable shelf space, has responded with an array of special fees to discourage such proliferation. And it has affected adversely previously well-defined brand meanings and identities (Broniarczyk and Alba 1994). General Mills, for example, seemingly ignored established brand associations when it introduced Multi-Grain Cheerios. It originally treated this as a new flavor rather than recognizing the inconsistency with Cheerios' long-term nutritional association with oats. Another product, Honey Gold Wheaties, has brought associations of added sugar to a well-established brand known as the "Breakfast of Champions." Although these products remain on the market, they have potential to dilute the equity in the original brands (Loken and John 1993).

Previous research dealing with brand extensions had identified sound bases for success and found brand affect and the similarity between original and extension product *categories* as important factors (Aaker and Keller 1990; Keller and Aaker 1992). Several articles in this special issue offer additional insight to aid brand managers. Broniarczyk and Alba (1994) focus on the role of "brand-specific associations" as distinct from category-specific ones. Their findings indicate that these associations actually may dominate brand affect and category similarity. Extensions to dissimilar categories that value the brand association should be more preferred than those to similar categories that do not. Their research also provides a rationale for why brands can extend successfully to dissimilar product categories. Dacin and Smith (1994) discuss two experiments and a consumer survey that examine the effects of three brand portfolio variables on the favorability of and confidence shown by consumers' judgments regarding future extensions. Their research suggests that brand extension success is affected by the portfolio of products associated with the brand and extending into many different product categories may be beneficial for a brand so long as the variance in quality remains low throughout the portfolio.

Also, the brand manager often can implement line extensions in which minor variants of a single product are marketed under the same brand name. Research reported by Reddy, Holak, and Bhat (1994) assembles an extensive cross-sectional and time series database from a variety of sources and, using econometric analyses, empirically investigates the determinants of success for line extensions in the cigarette industry. The authors note the consistency of their empirical findings with propositions that previously had been based on experiments or argued primarily on conceptual grounds. They also provide further support for the conclusion of Dacin and Smith that, when managed well, extensions help in building equity.

For brand management generally, probably the most positive outcome of recent merger and buyout activity is that corporate managers now increasingly recognize brands as critical assets. Brand management is a formal component of corporate strategy. Sara Lee, for example, has made building brand equity a major corporate goal. The company has mastered the art of applying its brand management skills in markets that traditionally have been fragmented or dominated by private labels. It buys leading brands and gradually builds brand strengths ultimately to "own" the product market—for example, the company has nurtured high profile brands like Playtex and Hanes in the packaged apparel market. This emphasis on building and then leveraging brand equity for greater profitability has enabled Sara Lee to utilize its core competence (brand management) in markets far removed from its origins in packaged foods. Tylenol has been able to leverage endorsements from medical professionals to develop an image of safety and "gentleness on the stomach." It owns over 70% of the acetaminophen market, despite other chemically identical products selling for considerably less.

Aaker and Jacobson (1994), from their study of the effect of perceived quality (a concept related to brand equity) on stock price movement, argue that brand managers should convey to Wall Street analysts information about the brand's quality image as well as financial information, to better depict long-term prospects for their brands. Their expectation is that financial analysts would rely less on short-term measures of business performance and brand managers will be freer to undertake strategies necessary for ensuring the long-term viability of their firms. Ancillary evidence comes from the J.D. Power & Associates satisfaction surveys, which continue to have a powerful impact on the products and brands evaluated. When Dell Computer was rated first in buyer satisfaction, both its sales and stock price went up. Managers at Warner Lambert were able to justify an expensive long-term campaign to target its anti-allergen drug, Benadryl, to end users (patients rather than physicians), and the result was a fivefold increase in sales over four years.

Changing Consumer Markets

It is at the product-market level that broad environmental forces are transformed into specific competitive threats and opportunities that require new and creative brand management responses. Both customers and competitors learn and adapt. Once PC buyers learned that IBM-compatible clones were reliable and used the same components as name brands, they refused to pay hefty price premiums for IBM or Compaq. The introduction of Microsoft "Windows" improved the user-friendliness of PCs and drove Apple and IBM-compatible computers closer together and made each more vulnerable to price competition from the other. Corporate downsizing and corresponding reduction in in-house purchasing expertise may imply increased importance for intangible "product" components such as the service and relationship dimensions. This shift may cause an increase in the importance of corporate brands and bring reward to reputations that are compatible. The brand manager must become ever more sensitive to these possibilities.

The forces discussed in the previous sections manifest themselves in market behaviors either by producers or distributors and buyers. Buyers seek products and services better suited to their purposes (Huffman and Houston 1993) and learn and adapt to the changing set of competitive product and marketing programs with which they are confronted (Ratneshwar, Shocker, and Srivastava 1993). The increasingly competitive marketplace exposes buyers to new information and product/service alternatives that have potential to influence their tastes and preferences. Producers, in turn, learn more about what is being offered by competitors and what prospective buyers will purchase and thus also adapt their offerings. After all, both face the imperative of doing things that are simultaneously feasible and desirable. Distributor willingness to carry and promote specific brands serves to transfer some of the equity to the brand and in turn is affected by whatever equity the brand currently enjoys. Brand management is challenged to understand the dynamics of changing markets and manage brand associations.

The usefulness of brands. The value of a brand name is associated closely with its awareness, quality perception, and the customer satisfaction engendered by related products and offerings, among others (Aaker 1991). Brands are symbols that consumers have learned to trust over time, and they often signal intangible product qualities (Erdem 1993). This signal is often based on "experience attributes" such as perceived reliability, quality, and safety (Nelson 1970) that products and related marketing programs afford. Such intangibles often lead to more defensible advantages for the firm relative to "search attributes" (physical features and prices that are readily comparable across brands via inspection or information search) because consumer learning time and experience opportunities are limited. Search attributes, moreover, often can be copied readily by competitors, and it is only when they have not been (because of insufficient time, patent protection, proprietary production and distribution processes, or creative promotion), that they also contribute to brand equity. Broniarczyk and Alba (1994) provide empirical support for this signaling interpretation of brand equity.

Customer satisfaction and "relationships" with a brand provide it protection from competition—for example, Tylenol was able to hold off initiatives by Datril and Panadol, in spite of multimillion dollar marketing campaigns. And sometimes satisfaction offers protection from the company's own mistakes; for example, consumer involvement with the Coca-Cola brand kept the product alive when the company introduced New Coke. Relationships put any single action in perspective, its importance evaluated against the background of previous experiences with the brand. Consequently, managers have found that satisfied customers often have many desirable characteristics—they buy more, are willing to pay more, incur lower sales and service costs, and provide referrals. This has spurred brand managers to focus on customer satisfaction as a measure of operational success.

The "value" imperative. Buyers across product-markets have always demanded "value" but defined it by the behaviors of competitors. Tougher economic times increase sensitivity. With added market alternatives available, they are now demanding high product quality *and* good customer service at reasonable prices. The increase in market share for private labels suggests consumers may be less willing to pay hefty price-premiums for the "image" component of national brands. As acknowledged by "Marlboro Friday," such price premiums for the well-known brand are not without limit (Therrien, Mallory, and Schiller 1993). (The Park and Srinivasan [1994] approach to measuring brand equity provides a practical means for valuing this image component.) Focus on value requires a paradigm shift—from a price-quality relationship in which high quality could be assumed to lead high prices to one in which companies must produce high-quality products and services at ever lower prices. According to Jack Welch, GE's chief executive officer, "if you can't sell a top-quality product at the world's lowest price, you're going to be out of the game" (*Fortune* 1993, p. 86). Perhaps dramatic, but increasingly true!

Some distributors have adopted an EDLP strategy or have added "value products" to their lines (e.g., Taco Bell and Wendy's have value menus that, to an extent, cannibalize their regular menus). To a brand manager, such market moves have pressured the development of new products that can be offered at attractive price points. This latter strategy has resulted in the "backwards" development of new products, starting with the desired price point and image and then designing the product and program to achieve it.

Shifting sociodemographics and splintering markets. Increasing female participation in the workforce has led to a premium on the value of consumers' time and has provided opportunities for new products (e.g., prepackaged lunches). Singles and one-parent families also are growing. Such diversity among buyers means it is no longer sufficient to target advertising for grocery products and packaged goods to homemakers by daytime television. The "female head of household" is no longer the gatekeeper and arbiter of family tastes and preferences. A substantial share of shopping is now done by teenagers and men, who may establish new brand loyalties, thus rendering traditional brands more vulnerable to competitive moves. Because more two-income families are eating out, branded consumer goods "share of stomach" has been declining gradually (Glemet and Mira 1993), and some restaurant chains have found it desirable to produce grocery store (e.g., frozen food) versions of their products. Such insights can help the brand manager develop growth strategies in related industries. For example, PepsiCo's expansion into fast-food chains (Pizza Hut, KFC, and Taco Bell) not only allows the company to participate in the currently growing part of "share of stomach," but also precludes competitors to the company's own soft drinks in their stores.

Markets also are becoming fragmented by the growing differences in tastes that accompany increasing cultural and economic diversity. Buyer differences in such factors as concern for the environment, the value of time, and health and nutrition also provide scope for differentiation. The rise of cable, with its offer of myriad channels, and the consequent decline of network television represents media response to increasing fragmentation of audiences, but it also makes it more expensive to reach potential customers. (Interestingly, although the U.S. market has become increasingly a market of niches, global communication networks promise greater homogeneity in international tastes and preferences. CNN, for example, reaches over 120 million viewers worldwide on a daily basis. And teenagers in cities from Bangkok to Los Angeles rock to MTV, which has a daily audience of over 250 million and growing.) Managers of brands still face a need to provide an orchestrated message to customers, distributors, and other publics in the form of "one voice marketing." Although hardly an innovative concept, the goal of integrated marketing communications has been driven by the increasing feasibility of direct marketing activities, fragmented nature of media, emergence of more sophisticated and efficient telecommunications, and increased reliance on sales promotions relative to advertising. Each of these has made the development of a strong and consistent brand image more difficult to achieve.

Measuring market change. Because it is inherently individual and multidimensional, brand equity can be difficult to measure, and even an appropriate measure can depend on user purpose. A variety of measures have been proposed in the literature or offered as the proprietary products of market research and advertising firms (Srivastava and Shocker 1991; Winters 1991). Each has strengths and weaknesses and must be evaluated in light of brand management's purposes. Yet measurement and tracking over time and possibly international boundaries is essential if brand managers are to manage and control brand equity effectively. Changes in measures provide feedback on the effectiveness of past actions taken or signal a need for possible future concerns. The multiattributed approach proposed by Park and Srinivasan (1994) uses a self-explicated version of conjoint analysis to provide a quantitative measure, expressed in terms of relative market share or price premium. It is one of the few individual-level (in contrast to aggregate) approaches proposed. By measuring at the individual level, the Park and Srinivasan approach provides insight to brand equity for each relevant market segment. The brand manager gains understanding of the relative contribution of product attribute perceptions and nonattribute imagery to the brand equity for different segments and enables valuation of a brand's extension to different product lines and other markets.

The rapid increase in market information for managing brands, particularly from scanner technology at the retail level, has had a major effect on how brand management decisions are made. Such research data are more objective and can be collected and processed in a timely fashion. Often historical data for a product category are immediately available to the manager when the need for them arises. Increasingly, more and better decision aids have been created to analyze such data. Russell and Kamakura (1994) propose ways in which the differential strengths of data collected at the household (micro) and store (macro) levels might be combined to offer the brand manager more detailed information about brand preferences and socioeconomic characteristics of buyers (and segments), along with information regarding the sensitivity of the market to price promotions, the impact of a brand's strategy on competitors, and the vulnerability of the brand to competitive actions. The work of Chintagunta (1994) illustrates the growing sophistication of methods available for leveraging the use of scanner data. He proposes and tests an easier-to-implement method that obtains brand positions on a product market map and the distribution of preferences across households while accounting for effects of marketing variables on brand choice.

At the same time, many firms have reduced the size of their internal advertising/marketing communications and marketing research staffs in response to the demands for increased efficiencies and reduced overhead. Marketing research also increasingly has been outsourced to suppliers, with the staff functions within the firm being downsized. As the need for integrated communications increases and internal staff support for this function is reduced, the role of the brand manager in the critical areas of planning and execution of marketing communications for the brand has broadened. Larger advertising agencies and marketing research suppliers have improved their ability to supply a strategic focus. Yet such changes imply that greater responsibility for strategic direction and initiating needed research will be thrust on the brand manager. More creative use of existing data, such as that suggested by the Russell and Kamakura and Chintagunta proposals, will help, but more innovative studies requiring primary data collection will possibly suffer.

CONCLUSIONS

Needless to say, brand managers appear increasingly challenged. The world of the brand manager is complex and becoming more so. Technology is at once a curse and an opportunity—while creating new capabilities for the brand manager, it also provides a need for new skills and different vision. The forces brand managers face are not temporary. If anything, they increase the need for the type of coordinated management brand management traditionally has as its strength. Brands continue to have value in a competitive marketplace and undoubtedly will continue to exist. Although specific organizational forms may change, brand management itself will adapt and thrive as managers accept new challenges by improving their competitive ability (Low and Fullerton 1994).

The Changing Basis for Brand Management

Given dramatic changes in the competitive nature of product-markets and technology and their consequences in the evolving role of both distributors and facilitating organizations, it is understandable that decision processes and organizational structures used to make and implement brand decisions also may need reexamination. Firms face difficult trade-offs between the increased importance of coordinating brand activities, both within and outside the organization, and the pressures to decentralize decision making and eliminate entire layers of management in the hope of curtailing costs. Low and Fullerton (1994) trace the evolution of brand management from the origins of the first national brands to the present. They provide an important historical perspective for many of the issues affecting brand management today. They note that brand management has proven quite adaptable to differing firm and marketing environments over its existence. As the modern corporation increasingly incorporates horizontal coordination structures (Byrne 1993), the brand manager may even become part of cross-functional teams.

The original logic for the brand manager system in the multibrand firm rested on the belief that competition internally for resources would improve efforts on behalf of each brand. But managers for multiple brands in the same product category (such as Cheer, Bold, Oxydol, and Tide detergents for P&G) often competed as ruthlessly with one another as they did with counterparts from competing firms. The difficulty in coordinating marketing programs for each brand and demands for a more coherent approach to managing an entire category of products on the part of the trade led firms such as P&G recently to centralize decision making at the category level, with other firms either following or actively studying the possibility. Low and Fullerton (1994) comment that category management also affords the opportunity for more experienced executives to involve themselves with the brand management function, thereby reducing one of the weaknesses of traditional brand management. Zenor (1994) argues that a category form of brand management organization seems inherently justified by an improved ability to coordinate pricing and other marketing efforts for a firm's different products and brands. His research uses a game theoretic model to estimate the magnitude of profit advantage that category management affords, given varying degrees of cross-brand price elasticity in the market. He demonstrates that the success of category management is enhanced when competitors are organized similarly. Estimates of gain can be compared with the costs of implementing a category management structure to decide if such a move is beneficial.

Some Final Thoughts

This special issue is a reflection of the current state of research in brand management and testimony to the growing importance of this area. Investment and marketing practitioners' interest has made brands and brand management relevant for the academic community. Because it summarizes much recent research, this issue, it is hoped, should be of considerable interest to practitioners. Several general conclusions can be drawn from this collection of scholarly effort:

- No single or dominant theoretical framework has emerged that guides research in this area. Contributions in this issue reflect a multitude of viewpoints from cognitive and consumer psychology to information economics. Given the diversity of topics covered under the umbrella of brand management, we suspect this area of research will continue to borrow from several underlying disciplines for its conceptual and theoretical foundations. The *development* of theory to guide brand management is increasingly necessary and will and should be integrative.
- In a similar manner, this issue reflects a broad array of methodological approaches—from experimental design to survey methodology, from the examination of scanner data to the use of critical historical analysis. Again, diversity is called for, given the nature of the problems facing brand managers. In this issue, we also have seen proposed newer techniques to aid study of brand management questions.
- Several areas of importance were not explicitly examined by this collection. If research on brand management is to remain of significance to the practice of marketing, we believe more attention is needed in areas such as the following:
  —The global management of brands, especially with respect to whether, when, and how brand names can be used as sources of competitive advantage in an increasingly global economy;
  —The impact of information technology on the brand management system and brand manager's job—how that job is changing as decisions are decentralized and involvement in those decisions is broadened both inside and outside the organization;
  —How to leverage technology better when it is not proprietary to a single firm;
  —Better understanding the causes of individual, segment, and market behavior (Barabba and Zaltman 1991). Promising starts have been made by research dealing with purpose and context in buyer decision-making, but more is needed to understand how buyers form the *criteria* they use to evaluate products and marketing offerings and how these change with different decision contexts;
  —Better understanding of the circumstances under which brand equity varies and when individual- or segment-level measures are better. Globalization may imply that buyers are less (more?) homogeneous than they may be domestically. The role of usage application on brand equity is poorly understood;
  —The relationship between the shift in power in distribution channels and the control over brand names and the marketing programs that support those brands. Must private label-national brand status create a fundamental distinction, irrespective of quality of the product?
  —The development and importance of corporate brands and brand identity, especially within business-to-business and service contexts;
  —The understanding of better ways to manage joint and co-branding and other forms of strategic alliances, especially those between erstwhile competitors; and
  —the development of more of a "systems view" of brands and products to include how intangibles created by the pricing, promotional, service, and distribution decisions of the brand manager combine with the product itself to create brand equity and affect buyer decision making.

Although these are important questions, we recognize they are difficult to pursue, especially with empirical research alone, and may require considerable theoretical development. The payoff from such efforts, however, would appear large. Given the challenges and opportunities affecting contemporary brand management, the future for research in this area is promising. We hope this issue serves as a point of departure rather than a destination and a catalyst for future contributions in the brand management area.

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