

THE IMPORTANCE OF BRANDING AND REBRANDING FOR STRATEGIC MARKETING

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Abstract: *The present paper's main purpose is to establish a connection between branding, rebranding and the efforts of developing a strategic marketing plan. Today's reality shows us that the quality of products or services alone, can not ensure companies success anymore. Because of that a lot of companies willing to obtain high profits, on national or international markets, have to consider branding efforts as a necessity and not as an option. Furthermore, even if the company's efforts give birth to a successful brand, time and market changes may lead to the erosion of brand's image, forcing that company to rethink the whole branding strategy and proceed to rebranding.*

Key words: *branding, rebranding, strategic marketing.*

1. Introduction

Technological development will continue to level the competitors, so it will become increasingly difficult and uncertain the success based only on product quality. Therefore, the focus is increasingly more on the brand which should bring additional benefits, imposing companies aspirations, guiding the brand to what it wants to become, with a permanent opening to the multitude of possibilities that may arise along the way.

Raising the level of branding to an academic initiative by creating Marketing Science Institute in 2002, led to huge changes in the theoretical and applied areas going beyond traditional product and service theory.

In essence, the strategy of branding is a

discipline that consists of a lot of work planning, with clear objectives to achieve on the long term.

2. Objectives

The paper tries to demonstrate the connection between the importance of branding strategy and the strategic marketing.

Thus we can say that branding strategy has crossed the border of product strategies and became in time an important component in strategic marketing. The most important thing is that a company can not create a coherent strategy without a clear objective. A brand can not function without a strategy and the strategic marketing's role is to implement this strategy of branding or 'brand building'.

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The main role of branding strategy lies in obtaining long-term sustainable competitive advantage.

Since the market is ultimately the supreme judge of these advantages, strategic branding must be approached very carefully and subtle because the offer will be positioned in the consumer's mind to produce the perception of advantage.

3. Considerations regarding branding

Perhaps the most well known and complex definition of brand is formulated by Interbrand as being: 'A set of tangible and intangible attributes, symbolized by a trademark (name, logo, etc.) which operated properly, creates value and influence. The term value has various means: the promise and the fulfillment of an experience (in terms of marketing), guarantee of earnings in the future (in terms of management) and is regarded as a distinct component of intellectual property (legal perspective)'.

Branding infrastructure has advanced enormously, giving rise to various types of entities, ranging from branding consultants to true conglomerate specialized in architecture and brand identity [5]. With intangible assets now accounted for, on average of 75% out what investors are placing a firm, data arising from various brand evaluations conduct to the idea that we have entered in the golden era of branding [10].

The literature abounds with references regarding the powerful connection between a brand and performances of the capital stock of a company. As demonstrated by Interbrand, a strong brand can bring added value of 5-7% in share prices of some companies and can minimize losses in case of massive devaluation.

A study led by Corporate Branding Partnership LLC, a branding consulting firm in Connecticut, corroborated the

alleged link between capital brand and stock quote since the two days crisis in October 1997, during which strong brands (eg General Electric, Microsoft, Intel) have recovered losses by the end of the day, and companies with weak brands have failed recovering [3].

Also, some universities have formally studied the connection between branding strategy and financial performance of the company. Kerin and Sethurman studied several companies on the list of most valuable companies (list compiled annually by Interbrand), and have reported a positive link between branding strategies and financial values of the company [9]. Using standardized market values and dependent variables, they demonstrated that brand strength, as measured by an evaluation program, explains 25% of variations in the market value of a company. Gruca and Rego explored and demonstrated empirical measurements and a link existing between satisfaction, brand loyalty and brand strength, capital and liquidity of the company [7].

The value of a brand denotes positive differentiation effect on recognition of the brand that has on customer reaction to the product or service in question.

As such, 'brand equity' refers to an intangible asset that depends on the associations the consumer is making. There are at least three perspectives from which this concept can be analyzed [11]:

- Financial Perspective. One way to assess the 'brand equity' is to determine the price premium that a 'brand' has for a generic product.

- Brand extensions. A brand's success can be used to launch additional brands, related to it. Benefits are related to the extension of the concept of 'brand awareness', the new product, which is launched with reduced advertising costs. Also, it will gain easier consumer confidence.

• From the consumer. A 'brand' strongly encourages positive consumer attitudes towards product/service. This attitude is built by experience with the product/service. Therefore, samples are more effective than advertising. 'Brand awareness' leads to the perception of quality, defining attributes and finally to brand loyalty.

Competitive advantage can be achieved by two major pathways: low cost (combined with acceptable quality) or differentiation. Since only one brand can be the cheapest, and physical attributes are easily copied (imitated) currently, it means that the best choice is differentiation to compete in current markets. Branding strategy is therefore a path of action concentrated in the differentiation process of an organization or product / service in the mind of the customer [8].

During the occurrence and crystallization of the concept of brand strategy, managers inside the marketing department were the ones who retrieve those tasks. However, as the strategic concept becomes a fundamental part of the capital value of a company, it was unapropriate for a single department to be responsible for the entire implementation process.

In conclusion, the responsibility of implementing branding strategy has shifted to higher hierarchical levels of many companies / organizations.

Therefore, branding strategy, as part of strategic marketing, must include all levels of the organization and marketing and it will be more successful when all relevant internal and external departments are actively involved in the process [4].

4. Branding strategy – part of strategic marketing

Strategic marketing is the process of systematic and permanent review of market needs and it helps company to

develop new competitive products for specific groups of buyers and exhibit distinctive qualities from those of competitors, thus ensuring a sustainable competitive advantage. It includes functions that logically and chronologically precede production and sales process like: analysis of internal and external environment of the company, setting goals and marketing strategies, target markets, positioning, product design, pricing, establishing distribution channels, establishing a communication strategy and promotion .

Strategic Marketing has the following characteristics:

- a. The decisions have long-term consequences;
- b. Environmental monitoring is done (which is considered dynamic and complex) to quickly identify opportunities and unfavorable situations;
- c. Create synergies between activities that form the value chain;
- d. adopt a proactive perspective on the environment;
- e. stimulates continuous creativity and innovation in the company;
- f. identify strategic areas of attractive activities .

Increasing the role of strategic marketing in the decision making process of the company was driven by a number of environmental changes:

- acceleration in the diffusion of technical progress
- maturation and fragmentation of markets
- increasing the internationalization level of markets

The rapid evolution of technology requires rapid changing product portfolio and continuous analysis of the markets. Fragmentation of mature markets and the emergence of consumer groups with specific needs and requirements impose a strategy of

market segmentation possible only on the basis of detailed information. These changes contributed to the strengthening of strategic marketing in the company, and made possible some operational directions: fundamenting activities on solid and clear strategic options, developing certain systems for permanent monitoring of the environment and the competition, strengthening the capacity to adapt to environmental changes, regular renewal of the product portfolio.

Strategic marketing has two components: the strategic analysis and the strategic decision

Conceptually, the two notions (branding and strategic) are intrinsically linked, branding is in its essence a strategic decision that follows through its structure to achieve several key objectives.

Other considerations to be taken into account when developing a branding strategy and strategic move to implementation stage, as that market structure is always dynamic and not static. From this point of view, establishing a rigid course of action will not allow any organizational or operational flexibility, with disastrous effects on today's markets. If branding strategy does not take into account the strategic adaptation to market requirements and has a rigid trajectory in relation to history and brand standards, then the company can get in a situation where the brand is exceeded or used in relation to the market and beat in relation to other brands.

Branding objectives, from strategic marketing perspectives, may focus on these elements:

- Strategic Competitiveness- goal achieved when the company manages to successfully formulate and implement a strategy that creates value
- Sustainable competitive advantage- goal achieved when the company

develops strategies that main competitors have not developed and have not applied at the same time. These strategies bring current and potential benefits to the company because competitors can not duplicate them.

- Profitability above average- applying strategic angle of approach to the market, investors will be satisfied as projected turnover and profit rates will range in the optimistic scenario.

All aspects of strategic marketing principles must be reflected in overall branding strategy. Otherwise, it will be very easy to install a feeling of confusion, both visual and concerning other perceptions of the brand. The strategy gives concentration and targeting to the brand, preparing the necessary platform for marketing management in the process of gathering the outcomes from brand's consistency and related activities.

"Marketing is building a brand in the mind of a consumer. If you can build a strong brand, you have a powerful marketing program. If you can not, then no advertising, no creative packaging nor all sales promotions and public relations in the world will not help you reach your goals" [12]

In the brand's portfolio there are many roles that certain brands can play [2] :

- strategic brand
- energizing brand or 'silver bullet'
- adjacent brand
- cash cow brand

The most important thing is that the roles are not mutually exclusive. A brand can be both strategic and energizing and after a while it is possible to migrate to the cash cow.

Strategic brand is of vital importance for the organization. It is a brand that was planned to succeed, and from this point of view will need all the funding from the organization in order to fulfill his role.

5. Rebranding strategy.

If branding strategy is a particularly complex and difficult target to achieve, the rebranding has an even higher degree of difficulty because it has a higher degree of risk in terms of the possibility of confusion among consumers.

In terms of strategic marketing, rebranding becomes necessary when:

- The brand has a confusing image or the image is nonexistent
- The main benefit of the brand has transformed from a differentiating benefit in a cost one.
- The company alters, through various strategic marketing and management errors, the direction that was planned.
- The company is entering a new business and current position is no longer adequate
- A new competitor with higher position is targeting the same market
- Competition sabotaged 'brand' company and turned it into an ineffective mechanism
- The renewal of organizational culture requires at least a review of the brand personality
- The company wants to widen the action area of the brand, but the current position does not allow addressing new target segments (can intervene diluting brand image)

David Aaker identifies other factors that involve a rebranding strategy within the company [1]:

- The target segment becomes saturated
- New associations are needed to generate growth
- The target market ages
- Product obsolescence due to technological attrition

Though before taking the decision to the rebrand, the company must make a strategic analysis that will straighten or not the final decision. Aside from the decision

to approach the rebranding strategy and appears the alternative of giving up that brand. Among the conditions that would favor market exit for a brand decision are [1]:

- The rate of decline for that brand is rapid and the continues to grow and the demand is decreasing
- It is anticipated extreme price pressure from competition, due to the lack of brand loyalty and lack of product differentiation in the mind of the buyer
- The position of the brand is weak and there are competitors that have gained major and irreversible advantages. The business is losing money and the perspectives are not good.
- The company mission is changed
- Certain obstacles can not be overcome.

Rebranding decision must in such circumstances, be very well grounded on an detailed analysis of the brand characteristics. It may also arise the possibility that even if the brand registers a decline and begin to lose some customers (they are at the edge of the target market/segment), brand loyalty and buying rates remain stable among the other buyers [6].

In many cases rebranding decision proved to be very unstable, managements of many companies faced with the opposite results than the ones expected and planned. Puma, Apple and Gucci are some of the brands that have passed successfully through the action of rebranding process.

These companies have bequeathed some golden rules in the strategic marketing decision on rebranding, mainly with the things they did NOT do [13]:

- They didn't changed the name or logo;
- Did not announced by any media channel that they are about to reposition or do something radical to brand owned;
- They were very patient, each brand has taken them a decade or even more to change;

- The changes they have made were done in their departments without the help of external specialists;
- No strategists hired from outside the company to implement the new strategy, but they did it with their own resources;
- The changes in advertising strategies intervened at the end of the rebranding process.

Therefore, a successful rebranding strategy does not start with campaigns of million of dollars, radical changes in the name, logo or other brand image elements, but starts by repairing various internal problems in a process oriented inside out.

6. Conclusions

As a conclusion, branding decision has gained growing importance in the last decades because it has a decisive influence the company's performance, but in the same time it continues to be one of the major challenges for marketers because of the long-term effects and also due to the fact that resources involved are often huge.

Rebranding is also a very difficult decision to make, because in this case the challenge is to rethink the image and the positioning of the brand in a way which will not create confusion in the mind of the customer.

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