The Brand as Strategic Asset of the Organization

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Abstract

In this paper we intend to capture and to explain the role of brands as strategic assets. We discussed the role of the brands in the Ansoff matrix and then we realized a study regarding the use of brands in correlations with the strategies utilized by the Romanian companies. The results showed that managers are not fully aware of the brands potential in attending strategic goals.

Because of the increasing role of the brands, they can be considered as strategic assets capable to ensure differentiation and competitive advantage of the organizations. The brands are the leading force that can bring together the general strategy of the enterprise, the human resources, the production operations and the marketing policies.

Keywords: *brand, branding, strategy, strategic asset, Ansoff matrix.*

JEL classification: M31, M10

1. Introduction

At present the purchasing act has become more than an action to satisfy the basic needs. The consumers search for explanations, motivations, associations of the buying decision with familiar elements in order to achieve the maximum satisfaction. The brands have become more than an element of identification and differentiation: they capture and influence the decision-making process, they create urgency and addiction. Brands sell rather ideas than products (Klein, 2006). The brand is the magnet that production needs in order to attract consumers (Kornberger 2010, p. 21). The organizations seek to maximize the contact points with the brand in order to attract and to retain loyal customers. This is possible through the management of brand meaning.

2. The strategy of the organization

The corporate strategy refers to the organizations' goals, the mission of the organization and the vision of the future. The strategy establishes the fields of actions, sets the framework and it must be aligned with the organizational values and culture. The strategy should be relevant for the public and should emphasize the differences from the competitors.

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The companies are competing to win markets and clients. The victory cannot be achieved without orchestrating and implementing a proper strategy. Strategic management is a modern form of leading an enterprise based on anticipating and visioning the changes in the external environment, in order to realize the mission and reach the established objectives (Nistorescu 2002, p. 17).

As an element of the strategic management, the strategy is a set of decisions and actions regarding the choosing of the means and establishing the necessary resources in order to obtain the long-term competitive advantage, according to its mission (Nistorescu 2013, p. 16).

Strategy helps to set directions, to establish objectives and vision, to ensure a trajectory on the directions of the vision. Strategy is also a choice regarding the resources, the markets and the clients that must be served first, of the brands and the products we must focus on. The strategy is differentiation: establishing the points of identity and differentiation, finding a viable source of competitive advantage and finding a way to turn the competitive advantage into a source of profit (Fisk 2008, p. 122).

The brand portfolio must sustain and reflect the business strategy. It is necessary to know the business strategy and, also, the characteristics of the markets that the organization acts on. In this respect, an organization must clarify the following:

- *the market opportunities* – the couples product-markets on which the organization will act. This setting shouldn't be to narrow in order not to miss the opportunities changing very fast;
- *value creation* – which is the offer for the client. Creating value for the client can be realized by answering the following questions: which are the reasons for the client to buy? What are the main reasons for the clients' loyalty? How the offer can be differentiated from the offer of the competitors?
- *strategic competencies* – they represent the set of assets, including brand assets that help create a viable competitive advantage. Examples of strategic assets represent: a good quality work-force, a solid-base of loyal customers, a competences at the level of production, a good design or consumers-relevant brands.

3. Market opportunities

Markets are the "source of inspiration" for the companies. They abound in opportunities but also in serious threats that can adversely affect the organization. The best way to dominate the market is to continuously scan the environment and to try to anticipate the new trends.

In the past, the organizations were capable of dominating theirs clients, therefore the "core competence" was much more important than the "market opportunities". At the present, the clients set the tone for innovations and they relentless create meaning for the brands. Of course, there should be a balance between the two perspectives (Fisk 2008, p. 125).

The characteristics of the product categories directly impact the brands portfolio. The products and the brands a company is proposing set its area of business. The strategy tells the company which way to follow: specialization, diversification, concentration, etc.

Knowing the product markets is fundamental for a sound branding strategy. Business decisions are based on founding a common point between the market opportunities and organizational competence. A sound knowledge of the brand portfolio leads to the conclusion that the organization must estimate the brand relevance.

Even if the opportunity and competence are present, a brand should be available to enter the expanding markets. This can be achieved by registering a new brand or a new brand extension, and also to establish which solution is more adequate. What investments will be needed to address the new market efficiently? Will the existing brands have the strength to dominate the market or there are necessary new brands? Is there a synergy between the existing brands and the market opportunities? Can a company use the existing brand associations?

If a brand is active on multiple markets, it is important that the brand portfolio is comprised of brands having the potential to capture the market opportunities. This means a balanced portfolio of brands including leading brands and targeted brands. The business strategy must ensure that contextual business decisions do not adversely affect the brand (Aaker 2006, pp. 113-119).

4. The brand in the strategic diagnostic model: the Ansoff Matrix

Strategic analysis models are used to diagnose the health of the product portfolio of the company and the balance of power in the market. They were not necessarily designed for brands, but find their applicability in this area. Strategic analysis models are powerful tools for analysis, but their applicability to the field of branding remains low because brands have the ability to transcend product categories, which explains brand extensions.

Ansoff Matrix was described by Igor Ansoff in 1957. The matrix identifies four possible strategies depending on market diversification and product diversification (Figure 1).

Markets	New	**Market development**	**Diversification**
	Existing	**Market penetration**	**Product development**
		Existing	New
		Products	

Figure 1. Ansoff matrix

A. Market penetration

For existing products, growth strategy aims to raise the quantity ordered of a given product, by increasing the loyalty of existing customers and by attracting many new customers alike. On the same market there should be implemented both a new customer retention program and a loyalty program for existing customers. This is quite difficult to accomplish, because attracting new customers could lead to a price war between companies, and thus the erosion of customer base.

Increasing quantities purchased can be achieved by increasing the frequency of use and the increasing of quantities ordered (Aaker 2005, pp. 304-308).

The increase of frequency of use can be realized by:

Communicating a reminder message. In some contexts, recognizing, as it is reflected in the priority recall of the brand or occasion on which it was used, is a driving force. A problem that can arise here is that although some people have heard of the brand or its use, simply do not think to use it without being pushed back.

Encourage the frequent use. Products change their image of used articles occasionally in one of commonly used products by a repositioning campaign. For example, advertising campaigns, in order to consume water or other liquids in a minimum amount of daily 2L, or the need to eat fruit and vegetables. An advertising campaign, for example, could highlight the need for a habit to wash your teeth or to consume chewing gum after meals.

Facilitate the use. It needs additional products or services to use a particular product. For example, people do not want to go to a pool which do not offers hot showers and lockers.

Organizing promotions. Incentives can be provided to increase the frequency of consumption. Programs such as the ones of the airlines for frequent travel by plane can affect the use.

Eliminating the negative effects associated with frequent use. Sometimes a buyer has good reasons not to use the product more frequently. The company shall be concerned to alleviate the undesirable effects of frequent use, where possible. The brand that gets most associated with completing the improvements will be best placed to take advantage of that market under growing.

Increasing the used amount

This technique can be used only if conditions are created to consume more. The best solution is to associate more complementary products: shaving cream and after shave with razors. Increasing the used amount should not affect the health of the consumer or to cause them to make a surplus. Ideal would be to promote the increase of the used the amount with the personal satisfaction that a customer feels after consumption of the product.

B. Market development

Market development involves selling an existing product in a new market. The product can be introduced to new clients without being changed, in market areas that hitherto have not been addressed: new customer segments, new geographical areas or new market channels. Many well-known brands have expanded outside their country of origin, which was too small: Nokia, Nestle, Dacia. Market development can involve targeting new market segments with existing products but with minor cosmetic changes. For example, Dacia Logan is sold in India as Renault Logan. When you are competing with attractive offers of new brands, established players enjoy considerable protection by emotional loyalty of consumer for their brands, thus gaining time to plan their response. A week point of Ansoff matrix is that it does not solve the problem of elasticity of brands as part of the strategic decision-making process. The brands with the ability to expand into several segments and categories without losing its attractiveness in the eyes of consumer, are better prepared to seize the opportunities of market development than rigid brands (Pringle and Field, 2011, p 65).

C. Product development

Innovation is the key word in managing product ranges. Creativity is maximally stimulated, and the phrase "new" is far overrated. The role of the brand for this type of strategy is that of an umbrella; the brand provides protection in case of failure, or the brand gets the credit if the product is successful. Innovation and commercial success of a product is more obvious since it develops under the auspices of a well-known brand.

Product development involves the production of newer or better good. Enterprises are investing in this business for competitive advantage, especially by proposing exclusive products and top quality. Once introduced, the new processes and products tend to disseminate to other companies, the technology is a "public good", it does not cause rivalries (multiple users can use it simultaneously) and involves only partial exclusivity (the owner cannot prevent others to use it only to a certain extent).

Creativity is seen through the creation of new recipes that will allow a higher living standard; but creative endeavors involve risks: while some will fail, others will result in successful new products and will be greatly rewarded. Companies and workers, whose products are obsolete by new achievements, will be seriously affected. Asymmetry of benefits implies that an economy which allocates a significant share of resources to creative activities can enjoy an overall higher degree of well-being – at the cost of increasing social inequality – rather than a less creative economy.

Volkswagen has not departed from the traditional market, the auto market. Instead, it continued to launch new models and purchased other brands. Product development strategy therefore aims a capitalization of synergies in a particular field.

D. Diversification

Diversification is part of the expansion strategy of the company, enabling it to emerge from its field and to broaden its portfolio. Diversification of brands means new brands in new markets.

In this case the brand brings significant expertise in emerging markets, where typically are associated with companies that have greater expertise but lack power and attraction of a strong brand.

Google, well-known company that provides Internet search services, offers now a street mapping - Google maps, a cell phone - Nexus, services of cable television and Internet connection, and the list goes on with many products and services. The strategy of the business aims for a decoupling of the initial market - searching the Internet, with the purpose of expanding both services and tangible products. Diversification in the branding strategy is at shelter of umbrella brand that endorses the new created brands.

5. Empiric research

We conducted a study on a N=43 enterprises from Oltenia region. The objective of the study was to spot the strategies the enterprises used in the last 5 years, the years of the economic crisis. Another rationale of this study was to examine if the enterprises were focusing on their brands or used their brands as a tool on the strategy they implement. Because not all the enterprises have a registered trademark, we used as proxy the commercial name. We asked the managers of the respective enterprises if they had a commercial name for their enterprises or their products and this name was directly promoted to consumers. All the 43 respondents agreed they have either a registered trademark or a commercial name.

We asked the question "*What strategy did you use in the last five years*?". The results are illustrated in the figure 2.

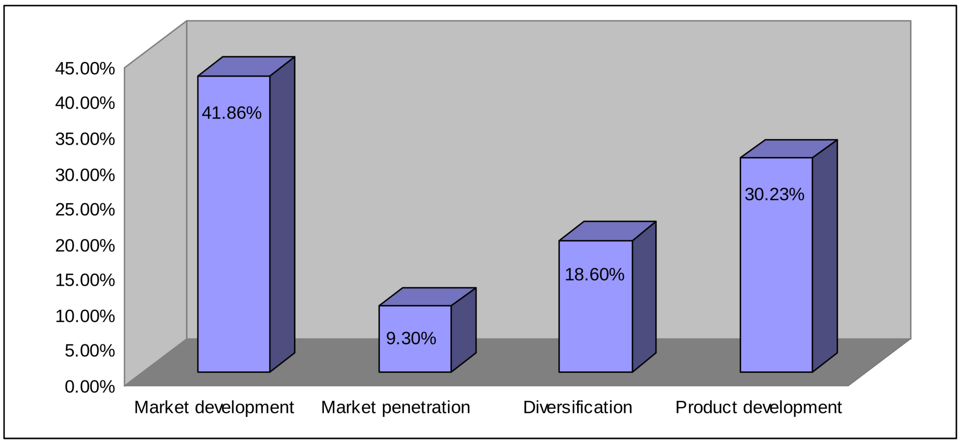

Figure 2. Strategies followed by selected enterprises

From the figure above we can see that the most used strategy was market development (41.86%), followed by product development (30.23%). This is a logical movement from the companies. Because the overall market decreases, the market penetration (9.30%) was no longer a sustainable strategy. Also diversification (18.60%) is a strategy requesting a lot of resources, which are difficult to obtain in crisis. The obvious choices appear then: either an enlargement of the existing market or a better adaptation of the product to the existing conditions.

In relationship with the strategy used by the enterprises, we were interested to see what resources were considered by the managers to be strategic for the enterprises they represent. On 1 to 7 scale ranging from not important to very important we asked the question "*On what degree to you consider the brand/technology/product/market/human resources/clients to be a strategic asset for your company*?". Organizations with the strategic aim to become competitive have various alternatives on how they should use their capabilities effectively to meet greater customer requirements (Roja and Năstase 2013, p. 363). The descriptive results are depicted in table 1.

Table 1. Managers' perceptions regarding the strategic assets

		Mean	Std. Deviation
Brand		3.93	1.42
Technology		2.93	1.20
Product		4.46	1.40
Market		2.51	1.26
Human_resources		2.67	1.14
Clients		3.51	1.26
Valid N	43		

The mangers placed the highest importance as strategic asset on the product/service (4.46) commercialized by their enterprise. Even if there is a strong competition on the market, the mangers tend to display an unrealistic confidence of their product. We considered this to be a form of market myopia. The second place was achieved by the brand (3.93). The managers consider that their commercial name or the reputation of their company act as a strategic asset. However in crisis time the consumers are less inclined to buy "the name" and they go for the "best deals". The third strategic assets in the appreciation of the managers were the clients (3.51). Even if the market declined and a lot of clients were lost, the managers seem to consider that they have a magic solution to profit from their clients. We believe that the confidence placed in consumers is too high, especially in this volatile time. The technology employed by the enterprises obtained a score of 2.93 showing the week appreciation for a probably old technology. The human resources (2.67) scored second to worst reflecting the abundance of the human resources available on the job market and the non-intensive in human resources activities performed by the respondent enterprises. The market (2.51) score was the worst, reflecting the general tendency of the market.

We observed a correlation between the brand as strategic asset and the clients as strategic asset (R^2=0.778, p=0.000). The managers appreciating the value of the brand are also appreciating the value of the clients. They are aware that reputation and brand image support the customers' loyalty.

We asked the managers to answer on 1 to 7 scale "*On what degree did the brand help your company with the chosen strategy?*". In this respect we were interested to see if the brand is taken into consideration as a tool in strategy implementation. The average score was 3.39 just under the median value of 4. From the responses of the managers we can say that brand is underestimated as a strategic tool. Considering the four strategies investigated, the differences are presented in table 2:

Table 2. The use of brand within the chosen strategies

Strategy	**N**	**Average score**
Diversification	8	2.50
Product development	13	3.30
Market penetration	4	3.50
Market development	18	3.83

From the managers' responses we notice that those companies that were following the market development strategy used branding more intensely (3.83). It is remarkable that the most used strategy also beneficiated from the highest help from the brand. The managers are aware that enlarging the existing market, on crisis times can be done more easily with the help of a strong brand name. The market penetration strategy scored an average 3.50, however this strategy was used scarcely. Product development strategy had an average score of 3.30 regarding the brand help in implementing this strategy. Across the selected strategies the intensity of branding support varied, but this is not very significant, taking into consideration the small sample.

Conclusions

Ansoff model provides a meaningful framework regarding the potential of strategic brands. This model is quite simplified, however, inadequate for present economic complexities. The model lacks the ability to take into considerations the brand transferability property.

This study allowed us to draw some important remarks. First, the brand importance is not capitalized properly by the managers. Regardless of the strategy deployed, brand can be a strategic asset capable of providing competitive advantage. Secondly, the managers that provide a long-term orientation toward offering customers satisfaction are also more inclined to use the brand as a strategic asset. Even if crisis is affecting the brand investments, managers with vision are not neglecting the brand support. Thirdly, market development is the strategy most associated with a brand emphasize. Entering a new market is facilitated by a mediation of a brand.

We consider that if properly managed, the brand has the potential to become a strategic asset of the organization. However, it is necessary to set up new strategic models that incorporate brand and establish potential interactions with other strategic assets of the organization.

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