Brand Management
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Hello all, welcome to another lecture on brand management. If you remember in the last class, we have started discussing the topic of brand equity and today we will continue that discussion on brand equity. If you would also recollect that yesterday in the last class, we discussed that there are two types of brand equity, one which is from the marketing perspective, so marketing brand equity and second, the financial brand equity. And in the last class, we discussed in detail what exactly is brand equity from marketers perspective or from the angle of market. And we also saw that the marketing brand equity has another name and that another name is and if you look at the top of the slide, it is called customer based brand equity. So in the last class, what we dealt with is how do we build this customer based brand equity.

And we also saw that how we can select brand elements, brand interventions, which will help us in building customer brand equity. We also saw that there are 6 factors or criteria by which we can decide how and what brand elements, how we will choose brand elements and what brand elements we would choose to take either an offensive position in the marketplace or a defensive role. This is what we saw in the last class. We went in detail for each one of the 6 criteria.

Then we went further and we looked at what are the sources of customer based brand equity, which is the marketing brand equity. And then we saw that if we are able to develop a reasonable or a reasonably strong brand customer based brand equity, we would be enjoying the following outcomes. And the outcomes are also mentioned in this slide at the bottom, you can see that they are greater loyalty, less vulnerability to competitive marketing actions, less vulnerability to crisis, larger better margins, more elastic risk consumer response to price. So when price increases, customers will not go away from your brand because they psychologically own your brand and so on. So in the end, we also said that if you enjoy high customer based brand equity, you can create more licensing opportunities, which means that you can give licenses to others so that they can use your brand.

And one example I can give you here is say Domino's Pizza. All of us are aware of Domino's Pizza, we see them all over the place. But we must know that Domino's Pizza is not an Indian company. And it is owned by a company in India, the Domino's India is owned by a company called Jubilant company. Jubilant I do not recall the exact name, but the group of Jubilant owns the company or the brand Domino's.

And the Domino's stores that you see across the country, all of them are not owned by Jubilant, they are owned by franchisees. So what Jubilant has done, it has given the rights of opening Domino's outlets to interested entrepreneurs, businessmen, and Jubilant allows them to use the brand and it shares with them the menu, the details of how pizzas are prepared and the process guidelines and on for making this or for providing this facilities Jubilant enjoys a certain royalty. And Jubilant also is using this brand from the parent brand which is located in the US. So Jubilant also pays a certain royalty a certain amount to the parent brand in the US for using the brand name Domino's. So what I am trying to say is that because all of us love Domino's pizza, we enjoy having it, we enjoy having it repeatedly.

So maybe on important occasions, we may feel like ordering Domino's pizza. And this is the case not with just you and me, but with a large number of people in society. So because a large number of people like it, they enjoy it, and they keep ordering it, Domino's pizza enjoys a very high customer based brand equity. And because of that, they are able to license so many businessmen, they see in it an opportunity to create a business around it, and they take the license and they run Domino's pizza stores. So this is how customer based brand equity operates in the marketplace.

Now today, we will look at another type of brand equity, which we have discussed in the previous class, and that is financial brand equity. Now the very word financial brings to our mind the idea of money. Now money means what does money mean dollars, rupees, does money means richness, poorness, or poverty, or does money means your ability to buy, what really does money mean. So this is something that all of us must think about when we think of expressing brand equity in terms of money. But the classical definition of money is that it is an entity that facilitates exchange, it is an entity that is store of value.

Now keeping this in mind, we can move forward and try and understand what is financial brand equity. Now as we have seen in till now, that brand equity means the value of the brand. Now value of the brand in terms of marketing is the customer based brand equity. So the psychological ownership that the customer has of your brand and how that psychological ownership gets translated in the marketplace in terms of as we saw in the past, greater loyalty, less vulnerability to competitive marketing action, larger margins, licensing opportunities and so on. So higher brand equity from the marketing perspective leads to all these returns and it is measured in these on against these parameters.

So loyalty is an important parameter by which you can measure marketing brand equity or customer based brand equity. But when we come to financial brand equity, we say it very clearly that it is measured in terms of money, it is measured in terms of finances and brand equity therefore, here is expressed in monetary terms. Please remember, monetary terms is very important. Now so in this class, what we are going to see is that how brand equity when expressed in monetary terms influences marketplace and influences buying decisions of customers and user experiences of customers. This is what we are going to see in today's class.

Now in this slide, the first slide on financial brand equity, what you see on your screen are the 10 most valuable brands of 2020. Now 2020 is not very far just about a couple of years back when this survey was done and you can see that Amazon seems to be the most valuable brand in 2020. You can also see that the value of Amazon brand is 220 billion dollars. So it is a huge money. It is a very large sum, which represents the value of the brand.

Now these are all brands that perhaps all of us or most of us are familiar with. Of course, since these are 10 most valuable brands of the world, so some brands might belong to China and they may not be present in India. So therefore, we might not be aware of them. For example, ICBC or another Chinese brand Pingun, which you see at 69 billion and ICBC of course at 80 billion. More than that, most other brands, I think all of us would be familiar with.

So Amazon at 220 billion, Google at 160 billion, Apple at 140 billion, Microsoft at 117 billion, Samsung at 94 billion, Facebook at 79 and so on. So what I am trying to say is that such huge figures are representing the value of the brand. And here we must stop and think about what we have studied so far in this lecture series on brand management. Just imagine that when we started, we started with something as simple as the sheep or goat or horse and owners used to mark their name or a number with an iron rod so that a fellow shepherd or a neighborhood person will be able to recognize that this horse or the sheep is mine or this is not mine. From there we started this journey of managing, creating and managing brands.

And today, see where we have reached, we have reached a place where a brand is from a stage where a brand is a goat or a sheep or a horse. And from there, today we have reached a stage where brands have this kind of value, Amazon, Google and so on. We must not forget that these values, this kind of amount often are larger than GDP of many countries. The national income of many countries may not be as large as the numbers that you see on the screen. For example, India is the fifth largest economy in the world and India's GDP is 2.

8 trillion dollars. If you compare that with Amazon and this 2.8 trillion dollar I am telling today. So today Amazon perhaps would be 400 billion valuation and compare that 400 billion valuation to India's GDP of 2800 billion. So you can see the size or the size of this brand and therefore the value of these brands in terms of money. So from a stage where it was just a goat or a sheep or a horse, from there we have come to this stage where a brand is rivaling a country or not one country but many countries because India is the most populated country in the world.

Today it has already surpassed China. So and even in the economic terms India is the fifth largest economy in the world. So even India's GDP is only two or three times larger than or a few times larger than the largest brand, which means most other countries would be having a GDP of maybe around this figure or even lower than this figure in the world. And do not forget that there are more than 180 countries in this world. So this is a point to ponder about that so much of investment that has gone into building of brands whether it was through creation of product, then creation of brand iceberg and brand personality and brand identity and then nurturing those brand associations which is visual, verbal, emotional and sensory and they have gone so deep into the minds of consumers that they keep going back to the same brand again and again and again.

And because they keep going back what happens is the potential for growth of these companies become larger and larger and over a period of time they sell a very large number of products and because they sell very large number of products to a very large number of consumers, what happens is their revenue grows multiple fold and this multiple fold when it grows over a long period of time what happens is you see this kind of humongous figures. So this is what I am trying to say that if you invest in brand in growing your brand, if you invest in the brand management process and the brand management activity, the results can be disproportionately large. If you are a brand manager, if you are learning this course to become a brand manager, if your aspiration is to become a brand manager or marketing manager, some cases you may already be a brand manager and you want to become a better brand manager then this course not only would help you but it will give you an insight as to where can you really reach by investing in yourself by learning the skills of brand management. So these brands are of the world. Let us look at some of the most valuable brands of India.

Now here also you see and this is a more latest figure of 2022 which is only the last year and you can see the figures. The most valuable brand in India is Tata and we have been talking about the brand Tata over last about 16-17 lectures. So you can see the value of the brand Tata is nearly 24 billion dollars. So that is number one brand in India. Number two is you can see these names all of us are familiar with these names Tata is number one Infosys is number two, LIC number three, Reliance number four, Airtel about which again we have been speaking repeatedly during the course of this lecture series.

So Airtel is number five, State Bank of India is number six, HDFC Bank is number seven, Wipro is number eight, Mahindra is number nine and HCL is number ten. Now point of reading this one two three four to ten is not that we are not aware and we need to emphasize the ranking of this brand. Point is that these are all homegrown brands and if you pay a little close attention to these brands some of them are fairly recent brands. For example Infosys which is not more than 30 year old brand. Similarly Airtel is not more than a 25 year old brand.

Similarly Wipro and HCL, Wipro at least in the form of technology is again not more than 25, 30 year old brand and HCL too. Of course the other brands are older brands, but these are relatively new brands. Even HDFC Bank if you see it was earlier HDFC limited and later HDFC Bank was created and then a reverse merger happened. So the parent brand which was HDFC limited got merged into HDFC Bank. So what I am trying to say is that again the Indian context which all of us would be more familiar with we can see that in a matter of just about 25, 30 years a brand can be created from scratch and even though it has been created from scratch in a matter of just about 25, 30 years it can become such a powerful not only a powerful brand, but also a very valuable brand which we can see in cases of Infosys, Airtel, HDFC Bank, Wipro and HCL.

So again here we must stop and think about the whole process of brand management activity and how if we are able to perform this activity well we will be able to create enormous value and this value is created for whom when we see 25 billion or 200 billion dollars as the brand value what does it really mean who is going to get this money. Please understand nobody is going to get this money because it is just a conceptual value it is a artificial construct which indicates the one is of course the size of the brand, second is it indicates what is the potential of the brand. So in future because it is such a powerful brand in future people will continue to buy products of this brand and that is why these brands will ensure continuous cash flows, continuous revenues and therefore continuous growth creation for the company, for the society and for the country. So this money is an artificial value nobody is going to get this money however this indicates towards the size and towards the strength of the brand. So think about it when we express the value of brands in terms of money what are we really doing and again please remember the terms of customer based brand equity which perhaps is the source of financial brand equity where we express the value of brand in monetary terms.

So we were discussing that this huge these huge amounts that we see on the screen 24 billion, 12 billion, 11 billion these amounts are conceptual figures nobody really gets these figures but they only indicate towards the size and the potential of these brands. But you must ask then what is the point in calculating these figures one is of course how do we calculate and second what is the point in calculating these figures and I must tell you that there is one location where these figures become meaningful and meaningful means when people look at these figures seriously. Now who looks at these figures seriously see we you and me who are passive recipients of these figures may not have much to do with these figures I mean they may indicate that okay it is a big brand and it is a powerful brand and it has long good potential it will perhaps last for a long period and this is where our association with these brands and these figures will end. But another organization which is perhaps looking at these figures and looking at these brands to leverage them maybe to buy them or to sell themselves to them when such a thing happens then these figures become relevant and they even become important people start playing with these figures. Now let us look at a recent phenomena not really a recent phenomena but some Indian phenomena where one brand has tried to acquire other brand or there is some kind of a merger where one brand merges itself with the other brand.

So some example you can see on the screen. All of us know that Vodafone in India was facing some problems they had some debt issues and other organizational issues and their partner idea was not a partner earlier but idea expressed its desire to combine its forces with Vodafone and create a new brand. So it was a combination of a crisis in one organization and ambition in another organization and when it came together a new brand was formed which is VI or Voda idea or Vodafone idea. All of us are familiar with this Vodafone idea brand so when these two brands came together a new brand was formed called Vodafone idea. Of course there was a financial transaction between the two and when the financial transaction happened which means some shares of Vodafone was bought by idea some shares of idea was given to Vodafone and this way some valuation must have been arrived at and that valuation will give us an idea the size of idea cellular and the size of Vodafone.

If you look at the second example which is Tata and Corus. Now Corus is a steel maker in England or in Europe and Tata of course all of us know now at one point of time Tata thought that it can buy the brand or the company Corus in England and in Europe and what prompted Tata to make this effort was because Corus was like Vodafone was in trouble, Corus was also in trouble and it was looking for a buyer. Now Tata being one of the major steel plants in the world of major steel companies in the world they have natural interest in steel business because Tata of course it has many businesses but steel business is a very old and a very powerful business. Now at that time Tata bought Corus and we must remember and many of you may not remember because you must have been very young at that time you would remember that there were several companies in the world who were interested in buying this Corus steel. However it is often a point that people talk about that employees of Corus in UK they even had a procession in the streets of the city where Corus used to operate and they demanded that they should be acquired by Tata's and not by any other company and this is because they came to know that Tata as a company is known for employee welfare.

They generally take care of their employees, they do not sack employees, they give them good working conditions and they also take care of the family of the employees. So employees of Corus perhaps came to know that Tata's enjoy this kind of reputation and they requested their management they asserted to into the political masters that if we have to be sold it is better that company which is known for all this value system Tata they should acquire us. Now at that time Tata went ahead and acquired Corus of course it won the bid which means it was a competitive bid and other companies were also trying to buy Corus and Tata in that competitive bid won the Corus steel. Now many people said at that time that it was a very expensive buy so Tata spent a huge sum of money to buy Corus steel and most people thought that Tata is a very small company at least at that time and Corus is much bigger. Tata does not have that kind of revenue to buy such a big company yet Tata had the ambition of becoming a global company global steel company and Tata steel went ahead and bought Corus steel.

Now for a long period of time people in Tata thought that buying Corus was a mistake because Tata at least during the COVID period and slightly before COVID period Tata was not doing very when I say Tata I mean Tata steel. So 2-3 years of continuous losses and people were blaming Corus for this problem but last couple of years you may have seen that Tata has posted very good results in terms of profits and revenues. In fact it has posted such a huge profit in the last financial year that it has become the largest contributor to group Tata sons in fact even larger than TCS and you must remember that TCS has nearly 6 lakh employees whereas Tata steel has just about 50000 employees. So you can see how these decisions are taken for the long term you cannot evaluate these decisions on the basis of performance of the company in 2 years or 1 year or 3 years or 5 years. I think Tata purchased Corus steel in about 2006-2007.

Today it is almost 15 years 18 years later we see that all that hard work and all that ambition that Tata steel demonstrated is paying good dividend. So this is how we value brand and we do not look at just these figures so when we see these figures 23. Someone wants to buy Tata brand for 23.9 billion they will not get it because 23 billion is just a brand value it is not the value of the business. So there is a very detailed process how these values are calculated and we will get a glimpse into those processes today.

Let us look at some more examples that we have seen around us where one brand is acquiring other brand or one brand is merging with another brand. Now the second example next example is Tata sons and Air India. Now this is something that all of us will be familiar with because it has happened recently in fact almost just about a year back these 2 brands Tata sons in fact acquired Air India. Now all of us know that this acquisition was an emotional acquisition for Tata because one of the chairman of J.

R.D. Tata he was the in fact Air India earlier was owned by Tata group and at the time of nationalization Air India was taken away from Tata and it was made a government company. Now we know what happened with Air India initially it was one of the best airlines in the world and gradually it started losing money and government was not able to run Air India on a profitable basis. So for a long time they kept discussing that we would like to sell Air India and so on so forth several times it was tried but nobody really came forward finally it was finally it was Tata sons who bought Air India and they have bought for as some which many people say was a not a big enough sum and so on so forth. But for government what is a good thing is that now government does not have to spend money on Air India earlier it every year it was spending 2000 5000 10000 crores on simply running Air India now Air India is given to Tata sons and now Tata will worry how to run Air India. Recent results that we have seen that Air India has actually turned profitable operating profit it has managed to make in just 1 year's time.

So you can see what a big difference a professional management can make to a brand. Some other examples you might be aware of one is acquisition or a merger between Zee and Sony pictures Zee brand and Sony and other which is also relatively recent is BYJU's buying Akash group of institutions Akash all of us know is a fusion company they provide coaching services or they are coaching institute for medical and engineering preparations. So BYJU's went ahead and bought Akash coaching institute. So this is where this financial brand equity becomes important when one company or one brand is trying to buy another brand. So that is when they need to know like we were discussing about pricing.

Now only when you know how much price to pay you will decide whether you would like to buy or you would not like to buy. So that is when these figures that you have seen in the previous slides these figures become important because at least they indicate as to what kind of money you are talking about. Thank you very much. Thank you.